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OR MORE
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The Global Newspaper
Edited and
Published in Paris
Printed simultaneously
in Paris, London, Zurich,
Hong Kong, Singapore,
The Hague, Marseille, Miami.

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

No. 32,277 49/86

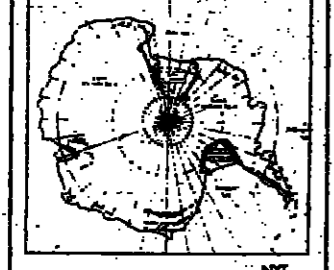
PARIS, MONDAY, DECEMBER 1, 1986

ESTABLISHED 1887

Seoul Police Block Opposition Rally In Show of Strength

LATE NEWS
**Rival Parties
Clash in Malta**
VALLETTA, Malta (Reuters) — More than 20 supporters of Malta's opposition Nationalist Party were wounded Sunday, some by bullets, in a clash with supporters of the ruling Labor Party, witnesses and Nationalist Party officials said. The Nationalists said they were ambushed by Labor Party "delinquents" as they marched toward the village of Zgajira, a Labor Party stronghold. Police used tear gas to end the clash.

SPECIAL TODAY
SWEDEN'S NEW MODEL
Sweden turns inward on a more pragmatic course under Ingvar Carlsson, Olof Palme's successor as prime minister. A special report, Pages 7-9.



**World environmentalists
are resisting efforts to
open up Antarctica
to mining.** Page 2.

GENERAL NEWS
■ A Rhopal court narrowed its ban on Union Carbide's selling of its assets. Page 2.
■ A Gypsy intellectual said that his people have to pull themselves out of misery. Page 5.
FEATURES
■ The son of a Hollywood actor blacklisted during the McCarthy era has written a play about his father. Page 18.
BUSINESS/FINANCE
The U.S. economy continued its pattern of sluggish growth in November, corporate purchasing managers said. Page 11.
Protectionism will slow world economic growth, the General Agreement on Tariffs and Trade said. Page 11.



Police in Seoul prevented an opposition politician, Lee Min Woo, at right with his face partially obscured, from leaving the New Korea Democratic Party office on Saturday.

1,891 of the 2,249 people taken into custody during the clashes had been released. The Associated Press reported. [The state-run Korean Broadcasting System said that of the remaining detainees, all but 20 persons considered leaders of the demonstrations would be freed on Monday. The station said the 20 would face charges.] What the events of Saturday graphically underlined was the readiness of the authoritarian government to stop the opposition cold. Anti-government forces had predicted that half a million — possibly as many as a million — Koreans would attend the rally, even if they had to break through police lines to do so. It was difficult to say how many people tried to reach the See KOREA, Page 5

Meese Will Ask Court For Special Investigator On Iran, Associate Says

**Dole Urges
Reconvening
Of Congress**



**Move Could
Avert Charge
Of Cover-Up**

The Associated Press
WASHINGTON — Bob Dole, the Senate Republican leader, urged President Ronald Reagan on Sunday to convene a special session of Congress to appoint a Watergate-style committee to investigate secret White House arms sales to Iran and money transfers to support Nicaraguan rebels.

Bob Dole

By Jack Nelson
WASHINGTON — Attorney General Edwin Meese 3d has decided to ask the U.S. court here for appointment of an independent counsel to take over the Justice Department's investigation of the Iranian arms deal, a Meese associate and longtime confidant of President Ronald Reagan said.

Mr. Dole said he wanted Mr. Reagan to "call a special session of Congress next week and form this select committee."
Robert C. Byrd, the Democratic leader of the Senate who will assume Mr. Dole's post as majority leader when the new Senate comes in next year, also called for appointment of a select joint committee, but he said it "would have to wait until Congress reconvened" in January.

Mr. Meese "has said that everyone should stand shoulder to shoulder with the president," the attorney general's realization that an independent counsel would be appointed to investigate the Iranian arms deal, a Meese associate and longtime confidant of President Ronald Reagan said.

The administration is expected to announce the move soon to satisfy pressure from Congress and from within the administration for Mr. Meese to step aside as head of the inquiry he started last week at President Reagan's request.

For Pretoria, Beating Oil Embargo Is Easy

By Michael Isikoff
Washington Post Service

WASHINGTON — International oil traders and shipping companies secretly direct oil tankers that pull out of Gulf ports with doctored customs documents and false invoices. Transfers are made among tankers at sea or at special transshipment ports such as Rotterdam. The tankers regularly unload at offshore oil depots outside the ports of Durban and Saldanha Bay, furnishing South Africa with an estimated 14 million tons of oil every year. That is the picture of the South African oil trade that emerges in interviews with businessmen, anti-apartheid activists and international oil experts. A campaign against Royal Dutch/Shell has focused new attention on that trade, which the international oil companies play to.



Mangosuthu Buthe, leader of South Africa's Zulus, says U.S. sanctions have hurt black workers. Page 2.

For more than 30 years, South Africa has been the subject of an oil embargo proclaimed by the United Nations General Assembly and other international bodies. All of the members of the Organization of Petroleum Exporting Countries have public policies prohibiting their country's crude oil from being shipped to South Africa. Yet oil, the one key commodity South Africa lacks, has continued to flow into the country without interruption, presenting what some observers contend is a case study in the ineffectiveness of economic sanctions aimed at the Pretoria regime. "Given suitable prices, you will always find people prepared to make these sales," said John Chetty, Washington director of the South Africa Foundation, a group that represents South African business interests. "I can't remember the last time anybody spoke to me of oil as a source of concern."

Cary Grant Dies in U.S. At Age 82

The Associated Press
DAVENPORT, Iowa — Cary Grant, the dashing Hollywood actor, died Saturday of a stroke in St. Luke's Hospital here, after he fell ill while rehearsing for an appearance as a local theater, a hospital official said. He was 82.



Cary Grant in 1948.

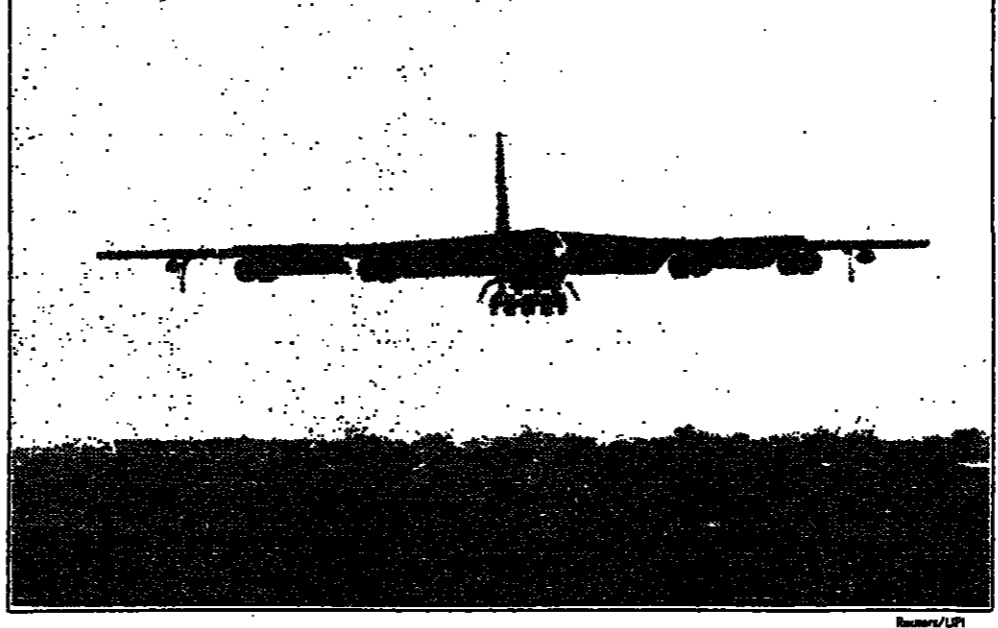
Elegant Leading Man
New York Times Service
Mr. Grant was the most elegant of the leading men who summited through the frothy faces that Hollywood churned out in the 1930s and 1940s. He had a cool, witty, debonair way about him, both on the screen and off. "Cary has so much skill that he makes it all look easy," Frank Sinatra said in 1970 in presenting him with a special Academy Award inscribed "to Cary Grant, for his unique mastery of the art of screen acting" during his 35-year, 75-film career. Mr. Grant was twice nominated for Academy Awards. He was nominated for his portrayal of a London street tough in the 1944 film "Kings of the Street," and for his role as a star-crossed newspaperman in the 1941 film "Penny Serenade," in which he wooed, won and cherished Irene Dunne. Miss Dunne was one of a long line of leading actresses who played opposite Mr. Grant during his heyday, when he was so popular that virtually any film he appeared in was assured of success. Mr. Grant's success came after a humble beginning as the son of a garment industry employee in the British port of Bristol. He broke into show business as an acrobatic dancer with a troupe that toured vaudeville houses in Britain's provinces. Stilt-walking was one of his specialties. His personal style also had some endearingly quirky ingredients, including his Cocody-flavored but cosmopolitan way of talking, his knack of lifting his eyebrows to register comic disbelief, and his flair for managing to seem irresist-

ible to the heroine, but not very interested in her. It was a style he maintained under such female pressure as Mae West's purring to him, "You can be as fat as a pig and I'll love you," and Ingrid Bergman's nibbling his ear in "Notorious." Another reason for his success, as Pauline Kael, The New Yorker critic, noted, was the way his performances nourished movie-goers' various fantasies. "Cary Grant is the male 'love object,' she once wrote. "Men want to be as lucky and enviable as he is, they want to be like him, and women imagine leading him: With Grant, the social, urban man, there are infinite possibilities for mutual entertainment." Mr. Grant was born in Bristol on Jan. 18, 1904, and was named Archibald Alexander Leach. His grandfather, Percival Leach, had spent his life on the British stage. Archie felt the lure of the footlights so strongly that while he was still a school boy he ran away from home and joined the Bob Fender troupe, a group of knockabout acrobats and pantomimists. After treading the boards for four weeks, he was hauled home by his irate father. But three years later, his father bowed to what seemed the inevitable when Archie again ran away to join the troupe. He stayed with it for more than a year while it toured the British Isles and performed in the United States. A brief return to the British stage followed, and then Mr. Grant be-

Sikh Gunmen On Bus Kill 24 Hindus

By Richard M. Weintraub
Washington Post Service

NEW DELHI — Sikh gunmen killed 24 Hindu passengers on a bus in the state of Punjab on Sunday, hours after a disident faction of the Sikh party Akali Dal won control of the powerful committee that manages the religion's temples and shrines, according to news agency reports from Punjab. The four gunmen forced the public transit bus to stop near the village of Khandra in Hoshiarpur district and opened fire with automatic weapons, United News of India reported. Seven other passengers were wounded, the reports said. One of the dead was reported to have been an army captain, another a noncommissioned officer. The gunmen, who had boarded the bus at a nearby village, escaped on two motor scooters that arrived shortly after the shootings, according to the news agency reports. Two other persons were reported to have been shot to death in Punjab within the past 24 hours. In an attack on a bus in Muktsar, on July 25, Sikhs killed 14 Hindus. That attack led to rioting between Sikhs and Hindus in New Delhi. Following Sunday's attack, police immediately ordered an alert in New Delhi, mounted extra patrols and established extra checkpoints at major roads into the city. Gurnaran Singh Tora, the candidate of the militant faction of the Akali Dal, was elected head of the Sikh Temple Management Committee by defeating Kambal Singh, the incumbent who was supported by the Punjab's chief minister, Surjit Singh Barnala. The committee is ostensibly a religious body that controls Sikh temples and shrines. But it also has enormous political influence, because the temples are sites for gathering places with a social and political role and generate enormous amounts of money that are at the disposal of the temple committee. One of Mr. Tora's first acts was to order the removal of guards Mr. Singh had posted to keep more militant groups from the temples. Editorial comment in Europe



The 131st B-52 bomber equipped to carry cruise missiles lands at Carswell Air Force Base in Fort Worth, Texas. Washington surpassed SALT-2 limits when it deployed the plane.

Allies Assail U.S. Breach of SALT-2 Decision to Exceed Weapons Ceiling Called 'Regrettable'

The Associated Press
LONDON — The United States has failed to win support from its allies for its decision to breach the 1979 strategic arms treaty. President Francois Mitterrand of France and Peter Madsen, a Belgian Foreign Ministry spokesman, said the U.S. decision was regrettable. Foreign Minister Hans van den Broek of the Netherlands said it was "politically unfortunate." West Germany and Britain did not directly criticize the United States. But both made it clear that they did not welcome the development and called on Washington and Moscow to adhere to the treaty's weapons ceiling. The United States exceeded Friday the SALT-2 limits of 1,320 nuclear warheads, carried by bombers and submarines, when it deployed a B-52 bomber equipped to carry nuclear-tipped cruise missiles. Foreign Minister Sten Andersson of Sweden said Saturday the U.S. decision was "a serious and regrettable setback for the disarmament efforts." The treaty was signed in Vienna by President Jimmy Carter and the

Saudi Role in Sales, Rebel Fund Alleged

By Jeff Gerth
New York Times Service

WASHINGTON — Emerging evidence shows a significant Saudi Arabian role not only in secret Iranian purchases of arms but also in the supply of military equipment to the rebels in Nicaragua. Associates of Lieutenant Colonel Oliver L. North, a former assistant on the National Security Council staff, were in direct contact with the Saudis, the evidence indicates. President Ronald Reagan dismissed Colonel North after it was found that up to \$30 million from Iranian arms purchases had been diverted for the Nicaraguan rebels, known as "contras," in 1986. The arrangements were complicated and involved many participants, and hence their precise nature remains clouded. But evidence from interviews, bank records, records of airplane sales, corporate records and other documents permits at least a partial picture to be drawn. The arms supply operations were begun separately, with the help of the Nicaraguan rebels beginning in 1984, before the Saudi and American dealings with Iran, and the two became intertwined within the last year, according to documents and to sources familiar with the operation. Although the Saudi government officially appears to have provided no funds, Saudi officials encouraged both ventures, the sources said. The Saudi motives were said to be to further the strategic relationship with the United States and to open a dialogue with Iran. The Saudi role offers a new perspective on how the contras were supplied at a time when the U.S. government was prohibited from aiding them. It also suggests that the Israelis, who have emerged in various accounts as crucial in opening doors to Iran and in handling the arms sales, may have played a less-central role. The Saudi role was multilayered. Many banks in Europe and Saudi Arabia with ties to top Saudi officials provided funds for Adnan Khashoggi, a Saudi businessman who, in turn, acted as a middleman and financier for at least some of the arms transactions, according to sources and documents. Mr. Khashoggi acted in concert with top Saudi officials, though there are divisions within the Saudi royal family on the issue, according to sources. The Iranian purchase of American arms over the last few years generated more than \$100 million, taking into account inflated prices, large commissions and, ultimately, diversions for the Nicaraguan rebels through corporations in Switzerland and elsewhere, according to participants in the deals, documents and American officials. The White House has acknowledged arms dealings amounting to between \$22 million and \$42 million in 1986. These were among the details pieced together. The Saudi talks with Americans about supplying arms to the

contras involved Colonel North; Major General Richard V. Secord, who retired as a Pentagon official in 1983 and was familiar with Saudi affairs; and Albert Hakim, a former Iranian businessman with close ties to Saudi Arabia and a business partner of General Secord. General Secord and Mr. Hakim, as well as many other of the figures mentioned here, could not be reached for comment. In early 1984, Charles P. Tyson, a colleague of Colonel North's on the National Security Council See SAUDI, Page 5

President Blames Press For Crisis

United Press International

NEW YORK — President Ronald Reagan has called the chief U.S. contact in the Iran arms scandal "a national hero" and has repeated his refusal to disavow the deal that led to revelations of a "contra" aid connection and an administration crisis. In an interview with Time magazine conducted Wednesday and published Sunday, the president said the most serious crisis of his six years in the White House has left him frustrated in his job, and he blamed the press. He said: "I have to say there is a bitter bile in my throat these days. I've never seen the sharks circling like they are now with blood in the water. "What is driving me up the wall is that this wasn't a failure until the press got a tip from that rag in Beirut and began to play it up," he said. He added that he had told the press that publicity could "get people killed," but that "they went right on." He said, "The press has to take responsibility for what they have done." The president referred to the Beirut newspaper Ash-Shura, a pro-Syrian weekly, that first broke the story Nov. 3 that Robert C. McFar-

RELATED ARTICLES

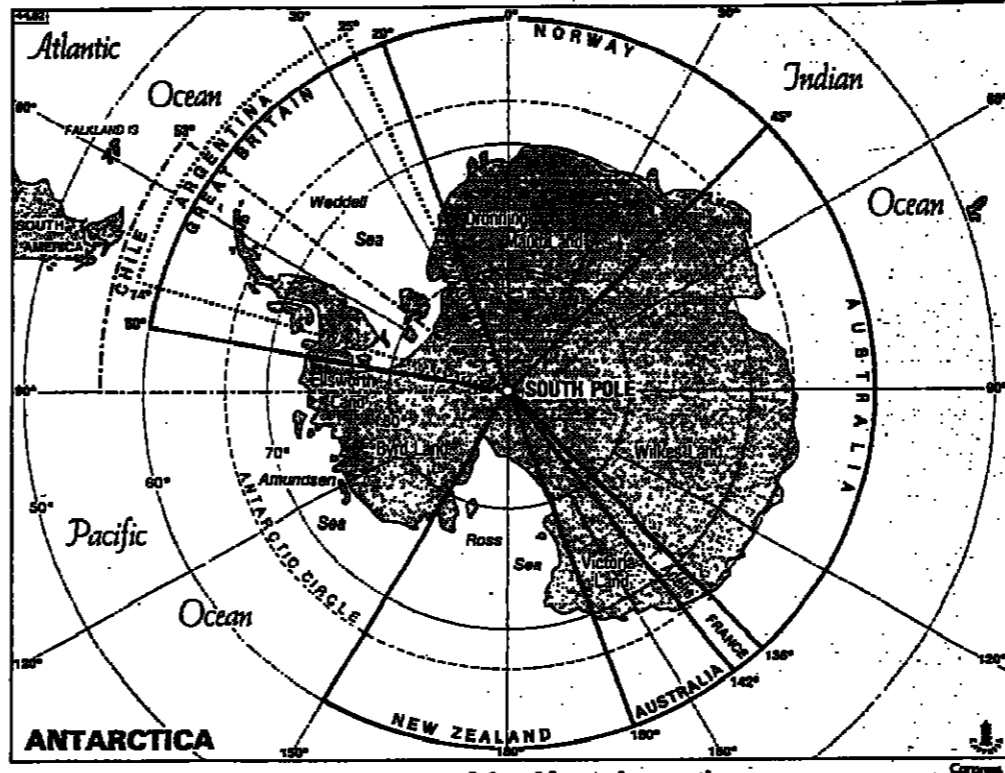
- Two dismissed aides, Admiral John M. Poindexter and Colonel Oliver L. North, believe their actions were correct. Page 6.
- George Bush reportedly is preparing to make a public statement on the Iran situation. Page 6.
- The Soviet Union secretly has shipped arms to Iran, a British newspaper reported. Page 5.

Environmentalists Resist Effort To Open Antarctica to Mining

By Michael Richardson
International Herald Tribune

WELLINGTON, New Zealand—The 18 countries that control Antarctica are striving to agree on ways of regulating any future mining there. But their efforts, within the framework of the Antarctic Treaty, come against a background of growing international interest in the management of Antarctica and are being resisted by nontreaty countries and conservation groups. Negotiated in 1959, the Antarctic Treaty prohibits military activity, testing of weapons, nuclear explosions or the dumping of radioactive waste material. It also provides a framework for international cooperation in Antarctica with emphasis on environmental protection and scientific research. It says nothing about mining, and the 18 decision-making members of the treaty have proposed the establishment of a limited sector, negotiated outside the framework of the United Nations, to regulate mining on the continent. The idea has been condemned by a large group of UN members, most of them Third World nations alleging that a club had been formed to carve up the resources of Antarctica. By a vote of 76-0, with 10 abstentions and 38 countries not participating, the General Assembly's main political committee called on the 32 parties to the Antarctic Treaty to suspend negotiations on a minerals regime until all members of the international community could fully take part. In another move injecting political contention into debate over the future of Antarctica, the committee voted overwhelmingly for a resolution seeking exclusion of South Africa from meetings of the decision-making body. New Zealand officials said the vote was unlikely to lead to Pretoria's departure. Besides South Africa, the other 17 treaty members in the decision-making body are Argentina, Australia, Belgium, Brazil, Britain, Chile, China, India, France, Japan, New Zealand, Norway, Poland, the Soviet Union, the United States, Uruguay, and West Germany.

These members, known as consultative parties, gained decision-making status by undertaking substantial research in Antarctica—something that a number of Third World countries outside the treaty say they cannot afford. Both the United States and the Soviet Union have opposed moves to scrap the treaty and place management of Antarctica in the hands of the United Nations. They argue that the treaty is open to all nations and would be impossible to replace with anything better. The other 14 treaty members—which attend meetings as participating observers—are Czechoslovakia, Denmark, the Netherlands, Romania, East Germany, Bulgaria, Papua New Guinea, Italy, Peru, Spain, Hungary, Sweden, Finland and Cuba. New Zealand officials say that nations wanting to take part in mining activities in Antarctica will have to join the treaty. An alliance of conservation groups claiming to represent 167 organizations in 35 countries has also condemned the move to open Antarctica to mining. The alliance, known as the Antarctic and Southern Ocean Coalition, argues that commercial activity in the continent and its offshore zone, which are almost completely covered by ice and frequently battered by bad weather, poses an unacceptably high risk to the environment. The alliance says that mining could lead to a breakdown of the treaty and provoke armed conflict in a region that has hitherto been free of strife. Greenpeace International, which belongs to the coalition, announced on Nov. 10 that it would send a ship from Auckland early in January to establish a base in Antarctica as part of a campaign to attract public attention to what it regards as threats to the future of the continent, particularly mining. Catherine Wallace, the coalition's New Zealand representative, noted in an interview Friday that the Antarctic Treaty said nothing about mining because such exploitation was not envisaged when it was signed. She said that nobody wanted an unregulated scram-



Antarctic sectors claimed by various nations.

ble for minerals, but that the gap should be filled with an agreement not to mine because that was the only certain way to preserve the marine resources, wildlife, wilderness, and peace of the area. New Zealand officials involved in the mining negotiations, which began in 1982, say an agreement is the most realistic means of ensuring that a hunt for oil, natural gas and minerals will not lead to contention between states or damage the environment. New Zealand officials believe a final accord could be reached in the second half of next year or early in 1988. Ian E. Nicholson, assistant secretary in the treaties and sea law branch of Australia's Foreign Ministry, said last year that hydrocarbons in offshore areas of Antarctica were the most interesting prospect.

"Although the technology to exploit any deposits does not yet exist," he said, "it might well be possible to develop it within a decade or two—but the difficulties and costs would still be immeasurably high." Ms. Wallace, an economist at Victoria University in Wellington who has closely monitored the mining negotiations, said platinum and rare minerals, as well as oil, were the most likely first target of prospectors in Antarctica. She alleged that those most keen to end the moratorium on mining were the United States, which had a long lead in deep-sea drilling technology over the Soviet Union, and West Germany, Japan, France and Britain.

WORLD BRIEFS

Israel to Try Yammou in Closed Court

JERUSALEM (AP)—Mordechai Yammou was brought to court under tight security Sunday in his first public appearance since he disappeared from London two months ago, the Israeli Army radio reported. During a 40-minute session, Judge Tzvi Tal agreed to a prosecution demand that Mr. Yammou, 32, be tried behind closed doors, the radio reported. No trial date was set, but he is expected to face charges of treason and espionage, the radio said. The former nuclear technician disappeared on Sept. 30 after telling the Sunday Times of London that Israel had been building nuclear arms for 20 years. Israel announced on Nov. 9 that he was in custody in Israel. Foreign reports have said that Israeli agents captured Mr. Yammou in London and brought him back for the trial, but Israel has refused to say how he was returned or where he is being held.

Iraqis Reportedly Used Saudi Airfield

NICOSIA (Reuters)—Iraqi jet fighters, running out of fuel, made an emergency landing in Saudi Arabia on their way back from a long-range attack last week on a major Iranian oil terminal, aviation sources in the Middle East say. The sources said the Saudis initially refused the planes permission to land and agreed only after the pilots indicated they were about to crash. The sources said the emergency arose apparently because of problems with in-flight refueling as the three or four aircraft returned from the first Iraqi raid on Iran's Larak Island terminal at the mouth of the Gulf. Three tankers were set ablaze in Tuesday's raid, a round trip of 1,560 miles (2,500 kilometers) and the longest ever mounted by Iraq in the six-year war.

Taiwan Blocks Return of 2 Dissidents

TAIPEI (UPI)—Riot policemen firing tear gas and water cannon on Sunday repelled thousands of demonstrators trying to march on Chiang Kai-shek International Airport near Taipei to meet two dissident leaders who were blocked in their bid to return home from exile in the United States. Witnesses said at least four policemen were injured and more than 30 police cars smashed. Hsu Hsin-liang and Hsieh Tsung-min were barred Sunday from boarding a plane in Tokyo for Taiwan. The dissidents were kept off the Cathay Pacific Airlines flight on instructions from the airline's headquarters in Hong Kong after the Taipei government stated it would not allow them to get off the plane in Taiwan. Mr. Hsu, founder of the banned magazine Formosa, left Taiwan in 1979.



Hsu Hsin-liang

Concrete Wall Is Being Built at Soweto

JOHANNESBURG (UPI)—Officials are erecting a concrete barrier between the black township of Soweto and Johannesburg's white areas, two newspapers, the Sunday Star, and the Sunday Tribune, reported Sunday. The Bureau for Information in Pretoria said the wall was intended to keep children and animals from running onto a major highway and would not enclose the entire township. According to the Sunday Star, "workmen at the site say there were told the wall was to enclose the township, but they would not say why." Barriers exist at other black townships, including New Brighton and Zwijve adjacent to Fort Elizabeth on the Indian Ocean. Entry to the areas is limited to gates manned by security officials.

Reagan Appointee to Quit Rights Unit

WASHINGTON (NYT)—John H. Bunzel, one of President Ronald Reagan's appointees, is stepping down from the United States Commission on Civil Rights, saying the agency has "lost its credibility" and "moral strength." He said he had told Mr. Reagan he did not want to be reappointed when his three-year term runs out next month. Mr. Bunzel, 58, sided with the majority of the eight-member commission in opposing the use of quotas for hiring women and blacks and in resisting the use of busing to desegregate schools. But in a letter to the president last week, Mr. Bunzel said: "The best days of the commission are over. Gone are the moral strength and purpose it once enjoyed when times were simpler and its vision clearer."

For the Record

The Peruvian government, trying to restore order in the Andes region where the Shining Path guerrilla group is active, on Saturday extended for two months a state of emergency in four highland states. (Reuters) A military judge in Chile sentenced three leftist guerrillas to death Friday for the 1983 murder of General Carlos Oyarzun, a former mayor of Santiago, and his two bodyguards, court sources said. (Reuters) Two Soviet public prosecutors from the Ukraine have been fired for arresting a journalist who criticized regional law enforcement agencies. It was reported Saturday by Pravda, the Communist Party daily. (UPI)

U.S. Sanctions Hurting Blacks, Zulu Chief Says

By Thomas C. Hayes
New York Times Service
DALLAS—The leader of South Africa's Zulus has said the ban on many South African imports in a sanctions bill passed in October by the U.S. Congress was reducing income to black farmers and agricultural workers. He said the ban seemed certain to increase poverty and unemployment among South African blacks. "There was great anxiety when the sanctions were announced," the Zulu leader, Chief Mangosuthu Buthelezi, said here last week. "Now black people are losing more and more jobs. The sanctions have been devastating."

He said American business had been a progressive force for blacks in South Africa but that recent decisions by major U.S. companies, including International Business Machines, General Motors, Eastman Kodak and Coca-Cola, to pull out of South Africa were a matter of "great regret." Chief Buthelezi is on a 21-day tour of the United States and Canada. He said in speeches and interviews that his strategy of nonviolent resistance has made steady gains against apartheid. "Apartheid is in its death throes," he said. He said it was blacks who would suffer most if the wave of violence in South Africa grew into a civil war. "There is a premeditated attempt to die for liberation at any moment," he said, "but we are not prepared to die for it."

After a stop in Orlando, Florida, over the weekend, he was to travel to San Francisco, Vancouver, British Columbia, Toronto, and New York before returning to South Africa. Before coming to Dallas, Chief Buthelezi spoke in New York, Washington and Boston. The schedule, which included a meeting Nov. 24 with President Ronald Reagan, was arranged principally by conservative groups in the United States. Many American conservatives agree with white business officials in South Africa that Chief Buthelezi cannot be ignored in efforts toward a negotiated political settlement. "It's a pity he is not well known in this country," said Dr. John R. Silber, president of Boston University. "He's a brilliant, well-educated man who has great concern for the question of what happens in South Africa after apartheid."

Leading American blacks either have ignored Chief Buthelezi's visit or have organized demonstrations against him. They say they believe he has been ineffective against the government of President Pieter W. Botha. They also believe trade sanctions can put pressure on Mr. Botha to end apartheid. Chief Buthelezi said he had been misused by some opponents as an ally of Mr. Botha and noted that he had refused to cooperate with a Botha suggestion last summer to form an advisory council of blacks. "I cannot participate unless black democracy is unshackled," he said. That, he said, cannot occur until Nelson Mandela, the imprisoned leader of the outlawed African National Congress, is freed. Mr. Mandela has been imprisoned for more than 20 years on treason charges. Chief Buthelezi's opposition to sanctions has put him at odds with the archbishop of Cape Town, Desmond M. Tutu, and the Reverend Allan Boesak, president of the World Alliance of Reformed Churches, as well as many other black leaders in southern Africa. Chief Buthelezi said that, unlike Bishop Tutu, "I have responsibility to see that black children are educated and fed, that their parents have jobs and housing."

Bhopal Court Limits Ban on Carbide

BHOPAL, India—A court here modified on Sunday a temporary injunction against Union Carbide Corp., narrowing a ban on the sale of all company assets to apply to assets worth \$3 billion. The ruling will enable Union Carbide to proceed with a financial reorganization plan. It follows a company offer to maintain unencumbered assets in the United States worth \$3 billion to satisfy potential judgments in claims stemming from the 1984 gas leak in Bhopal that killed more than 2,000 people. The leak, on Dec. 3 of that year, was from a pesticide plant operated by a Union Carbide subsidiary. Government attorneys, in asking for more than \$3 billion in damages, are seeking to fix liability on Union Carbide. Union Carbide, in an affidavit filed recently, blamed its Indian subsidiary and the national and state governments for the disaster. It denied any direct liability. Union Carbide offered on Thursday to give the court an affidavit pledging \$3 billion in assets, in an attempt to have the injunction lifted against the rest of its assets.

A company statement said the pledge did not amount to an admission of liability. Judge G.S. Patel announced his ruling Sunday in a Bhopal district court. It came after the company agreed to accept a court-appointed appraiser to certify every three months that the U.S.-based company is maintaining the required assets. Union Carbide had offered to provide an appraiser, but Indian government lawyers objected. Judge Patel then ruled that he would choose an appraiser from two lists of six candidates, with the company and the government each presenting a list.



Pope John Paul II wore an aboriginal hat as he held an aboriginal baby at Alice Springs, Australia, on Saturday.

Pope Backs Aboriginals In Land-Rights Dispute

PERTH, Australia—Pope John Paul II ended a tour of Australia on Sunday that was hailed by commentators as a resounding success despite his apparent challenge to the government by supporting aboriginals in a controversy over land rights. In less than a week the pope traveled 6,000 miles (10,000 kilometers) to the capital of every state and territory as well as to Alice Springs, in the desert center of the continent. He arrived in Australia on Nov. 24 after stops in Bangladesh, Singapore, Fiji and New Zealand. The pope left Australia Sunday and was scheduled to stop in the Seychelles on Monday and continue to Rome on Monday night. His schedule gave him only a few hours in many places. But the tour made a major public impact. He made his most hard-hitting address Saturday, his last full day in Australia, when he crossed the continent twice and made a call at Alice Springs for aboriginals to be given back their traditional lands. About 5,000 aboriginals, the original inhabitants of Australia, heard the speech, which the pope delivered during a wind and lightning storm. The pope was greeted by the aboriginals, many wearing loin cloths and body paint. The speech seemed a direct challenge to the Australian government, which this year backed away from promised legislation guaranteeing aboriginal land rights in all the country's six states. Many whites, including the mining lobby, oppose such legislation, which would give aboriginals legal right to many long-lost areas, including some containing mineral reserves. "To call for the acknowledgment of the land rights of people who have never surrendered those rights is not discrimination," the pope said. "What can now be done to remedy the deeds of yesterday must not be put off until tomorrow."

The pope condemned the history of white colonization that decimated the aborigines through battles, disease and alcohol, saying that the settlers' claim that Australia belonged to nobody was "a legal fiction." Around 300,000 aboriginals lived in Australia at the time of British colonization 200 years ago, and the present population is 160,000. Many live in squalor, and there is a high incidence of leprosy, glaucoma and infant mortality. The pope said a policy of putting aboriginals in reserves had broken families and tribes, orphaned children and forced them "to live like exiles in a foreign country." The pope said the reserves still existed and still required a just and proper settlement while the urban problems caused by the policy had to be addressed. The pontiff invited his audience to become Christians, absorbing the best of their traditions into the faith.

Socialists Win Basque Elections

VITORIA, Spain—The Socialist Party won a plurality of votes in Sunday's elections for the 75-member Basque parliament, making it the leading political group in the Basque country for the first time since home rule went into effect in 1980. The Basque interior minister, José Maria Retolaza, said that with 61 percent of the votes counted, the elections were considered definitive. Mr. Retolaza said the Socialists had won 19 seats and the governing Basque Nationalist Party 17. The Socialists, a party with a national base, hold a 184-seat majority in Spain's lower house of parliament. Herri Batasuna, a radical Basque party considered to be the political arm of the Basque guerrilla organization ETA, was tied for third place with 13 seats with the new breakaway Basque Solidarity party. Basque Solidarity was formed in October after a split in the Basque Nationalist Party, which held 32 of the 75 seats in the parliament. Herri Batasuna refused to take its 11 seats in the parliament because of disagreement over the 1979 home rule statute. However, the Herri Batasuna leader, Jon Idigoras, said Sunday night that the party would now consider taking any seats it won, "depending on the attitude of the other parties." Political analysts said whatever the final outcome of the third election since autonomy in the three-province northern Basque country, a coalition would most likely be formed, although it was not clear with whom the Socialists would make a pact.

U.K. Changes Stance in Suit On Spy Book

By Joseph Lelyveld
New York Times Service
LONDON—An admission by the head of Britain's civil service that he misled an Australian court has embarrassed Prime Minister Margaret Thatcher and exposed an apparent rift in her cabinet. Sir Robert Armstrong, the cabinet secretary, has been under cross-examination for nearly two weeks in the Supreme Court of New South Wales as part of the Thatcher government's effort to halt publication in Australia of the memoirs of a former officer in Britain's secret service.

His testimony seemed to be verging on creating a full-fledged crisis for Mrs. Thatcher when Sir Robert was forced Friday to change his testimony. At issue was the question of whether the attorney general in the Thatcher cabinet, Sir Michael Havers, had advised against prosecution under the Official Secrets Act to halt publication of a 1981 book on British spy scandals. That book, "Their Trade is Treachery" by Chapman Pincher, contained many of the same allegations that Peter Wright, the former agent who now lives in Australia, has reasssembled in the memoirs that led to the current suit. The British case is that the earlier book was not halted for legal reasons. Mr. Wright's Australian lawyer, contending that the British government sniffs its own political convenience in applying the secrecy laws, says the publication of the Pincher book was prompted by MI5, the counterintelligence service, as a controlled disclosure. The aim of the maneuver, it is theorized, was to keep Mr. Wright from coming into the open as the source of the allegations that Sir Roger Hollis, a former director of the service, had been a Soviet agent.

Sir Robert had testified that the decision not to prosecute Mr. Pincher, and by extension Mr. Wright, who turns out to have been Mr. Pincher's main source, was the attorney general's decision. But Friday he said that Mr. Havers was not involved and that the decision not to prosecute was "a collective decision among those concerned."

"Who was concerned?" asked Malcolm Turnbull, Mr. Wright's Australian attorney. "I would like to find out about that," replied Sir Robert, who reportedly handles all liaison between the intelligence services and the prime minister. "I do not know exactly."

British newspapers Saturday were full of accounts from unidentified sources in the government asserting that Sir Robert was instructed to change his testimony by Mrs. Thatcher herself.

The apparent need to revise Sir Robert's account in Australia to mollify Mr. Havers was doubly embarrassing for Mrs. Thatcher. First, it brings to the forefront the question of whether she was involved in the 1981 decision not to prosecute and whether her judgment was sound in sending Sir Robert to Australia on what looks increasingly like a futile and demeaning errand.

Second, it recalls an episode in a cabinet crisis this year involving a dispute over the fate of an insolvent helicopter company. The prime minister's office suggested the attorney general's office appearing to concede the leak of a confidential legal document to the press.

The prime minister now says she is preserving a crucial principle, that officials who take a pledge of confidentiality must uphold it.

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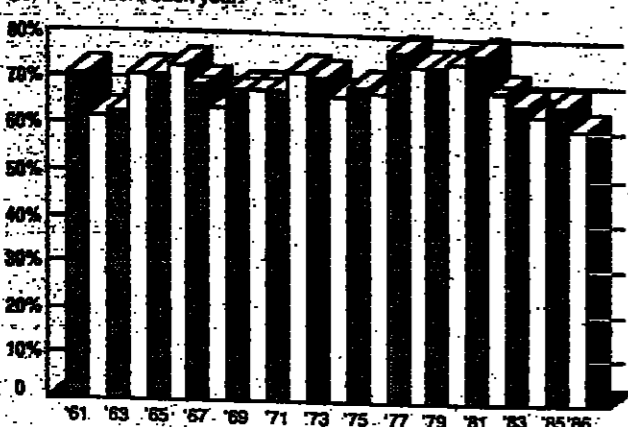
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AMERICAN TOPICS

Percent of ambassador positions filled by career Foreign Service officers each year



Source: State Department

A Career Diplomat, A Public Complaint

Senior officials at the State Department have often chafed at but said little about the White House prerogative of making political appointments to ambassadorships. So it was unusual, The New York Times reports, for Ronald L. Spiers, the undersecretary of state for management, to complain about it publicly in a speech to the National Academy of Public Administration. Later, he elaborated on the speech in an interview.

Mr. Spiers said that at the beginning of the Reagan administration 75 percent of all U.S. ambassadors were career diplomats. Today, only 60 percent are, a low for recent history. The previous low was 62 percent under John F. Kennedy in 1962, while the high was 77 percent under Jimmy Carter in 1980.

Not all political appointees are unqualified, Mr. Spiers said, listing such notables as Ellsworth Bunker, Arthur F. Burns and Mike Mansfield. But too many are, he said.

"Years ago, generals were commissioned on this basis," Mr. Spiers said. "No one today would argue for appointing a political supporter to command the 24th Infantry Division, although in peaceful times, and with a good deputy, the division would probably survive as well as our embassies."

Short Takes

Sheriff Kenneth Sebolt said litterbugs are trashing Lumpkin County, Georgia, and ruining some of its best trout streams. He has declared war accordingly: "We're using binoculars, we're using unmarked cars and stalks. We'll use night vision glasses if it comes to that." He said he wants to make littering a punishable offense in his county. "They are going to come back to the jail, be fingerprinted and mug shot," he said. "They have to post a \$500 cash bond. Being nice to people has not worked."

Since an unknown person killed seven persons in Chicago four years ago by putting cyanide into capsules of a popular pain remedy, similar poisonings, or threats of poisoning, have become frequent enough that the nonprescription drug industry, with revenues of \$8 billion a year, has spent \$500 million to \$1 billion to institute tamper-resistant packaging, spokesmen say.

Notes About People

Of the nine U.S. Supreme Court justices, only Lewis F. Powell Jr. had no previous experience either as a judge or as a Supreme Court law clerk. One of his fellow justices, Byron R. White, said in a recent speech, "It was a wonderful thing to put Lewis Powell on the court, and I hope that presidents don't forget to appoint some justices straight from the practice." Mr. White added: "Such lawyers are closer to the public, they are closer to reality, and they bring a very different point of view and attitude to the Court than a circuit court judge does. Judges tend, when they have been on the bench for a while, to become set in their ways. That goes for me, too."

Joseph L. Mankiewicz, the screenwriter, producer and director, returned to his alma mater, Columbia University, at 77 to receive its highest award, the Alexander Hamilton medal, and to deliver some reflections. On F. Scott Fitzgerald's legendary good looks, "I wonder if Scott had looked more like Wallace Beery if his reputation would have been as great." On Ernest Hemingway's dialogue: "Read it aloud and you'll start to giggle."

Assertiveness Class For an Abrasive City

For several years Arthur Reel, a theater director, has given classes in assertiveness training for New Yorkers, which William E. Geist of The New York Times calls "a course that sounds about as necessary as beginners' swimming for dolphins."

In fact, for the most part Mr. Reel teaches assertiveness to new New Yorkers, who have recently arrived from foreign countries and from small-town America. Such people "have been brought up to be very polite," Mr. Reel said. He assures them that their manly behavior and civil tongues can be overcome in time.

Marcus Lipshitz, from no further away than Brooklyn, took the course because "you need training."

He added, "People take advantage of you." One alumna, Lauren Shaffer, said that when she goes home to Berwick, Pennsylvania, she now finds herself becoming impatient when grocery clerks want to chat. "I don't want the New York clerks who yell at me," she said, "but I don't want that chatting any more, either."

—ARTHUR HIGBEE

Conference in Canada Turns Into Pageant of Disdain for U.S.

By Kenneth Freed
Los Angeles Times Service

EDMONTON, Canada — "The United States is the driving force behind the nuclear arms race," shouted the speaker, to the applause and cries of agreement from 5,000 listeners.

The noise was matched in intensity only by the booing and hooting aimed at a government official who rejected a comparison between supplying parts for nuclear weapons to the United States and giving gas ovens to Nazi Germany.

More applause and shouts of "Yeah! Right!" greeted arm-waving pronouncements that "Canada should separate from the United States." More boos assailed a suggestion that the Soviet Union's political values and its international record might not be equal to America's.

The occasion was a two-day conference in Edmonton on Canada's defense and nuclear policies. More than 5,000 people attended, 10 times the number that the organizers had expected. The crowd chanted attacks on U.S. defense policies and jeered sympathetic references to things American.

The conference's tone reflected the political views of its sponsors, the militantly pro-disarmament Physicians for Social Responsibility and the ultranationalistic Council of Canadians.

The conference received wide coverage in the Canadian media, and its high attendance distinguished it from the self-congratulatory exercises that such meetings of peace groups often are.

The participants, who paid \$22 apiece to attend, adopted resolutions condemning the Reagan administration's Strategic Defense Initiative, demanding an end to U.S. testing of cruise missiles in Canada and endorsing the Soviet Union's unilateral moratorium on nuclear weapons testing.

Among those present were cabinet members and members of Parliament from all three national political parties, as well as generals, government officials, Roman Catholic bishops, academics, former diplomats and scientists. The federal Foreign Ministry paid part of the conference's costs.

Even though Ottawa is an original and active member of the North Atlantic Treaty Organization and shares the defense of North America with the United States, its recent attitude has been one of caution over its role in international affairs, particularly in the East-West conflict.

Canada, which was a participant in developing the atomic bomb during World War II, has refused to build or possess nuclear arms and has forced the United States to remove all nuclear weapons from Canadian soil.

Canada's per-capita defense spending is the lowest of the NATO countries except for Luxembourg. Canada commits 10,000 troops to the alliance, only half of whom are based in Europe.

Canada is bound by treaty to share in the defense of North America. While the country has 180 modern jet warplanes, it has only three workable submarines, a tiny and aging surface fleet and half a dozen surveillance planes.

The nation believes that its best hope for defense and influence lies with its alliances in Europe and with the United States.

Canada sees itself not as a tool of U.S. foreign and defense policy but as an independent force that can be used as a bridge between the superpowers by Third World and nonaligned countries.

This led Ottawa to criticize U.S. involvement in the Vietnam War and, in more recent times, to back away from Washington's policies in Central America, South Africa and in arms control matters.

But the Conservative Party government says the days of moving away from its military alliance are over. Prime Minister Brian Mulroney has even declared that he wants to give the United States the "benefit of the doubt" in foreign policy.

Pauline Jewett, the foreign policy spokeswoman for the New Democratic Party, said at the conference that "the United States is the driving force behind the nuclear arms race" and that Canada should withdraw from NATO and the North American Air Defense Treaty.

She was reflecting the official position of a political party that is tied for second with the governing Conservatives behind the Liberals in popularity.

The Liberals, who developed much of the alliance strategy, are themselves shifting quickly toward a more independent approach.

Lloyd Axworthy, the foreign policy spokesman for the Liberals in Parliament, stopped short of calling for withdrawal from NATO. But he said at the conference that Canada needed a new vision of its foreign policy position, one that "will say no to the defense system being devised" in Washington.

What was widely acclaimed by the audience was a plan by Gwynne Dyer, a historian and one of Canada's few experts on defense matters, to make Canada neutral, following the model of Finland, by pulling out of NATO and all other alliances.

"Is it unreasonable to expect the United States to grant Canada the same kind of freedom as the Soviets give Finland?" he asked the crowd, which was clearly on his side.

Labor Party Leader on the Offensive

But Kinnock Must Defend Disarmament Policy in the U.S.

By Karen DeYoung
Washington Post Service

LONDON — "I don't get on with Mrs. Thatcher very well. I don't have to tell you," Neil Kinnock, the man who hopes to head Britain's next government, said recently.

"But she's the British prime minister," he said, "and I don't like British prime ministers looking like dummies."

Criticizing Prime Minister Margaret Thatcher is part of Mr. Kinnock's job as leader of the opposition Labor Party. During an interview in his parliamentary office, the 44-year-old Welshman held forth on what he sees as Mrs. Thatcher's mismanagement of the "special relationship" between London and Washington.

Mr. Kinnock began a week's visit in the United States on Saturday. "It's just take the example of the Iranian fiasco," Mr. Kinnock said. Two weeks ago in Washington, Mrs. Thatcher said she believed "implicitly" in the "total integrity" of President Ronald Reagan's initial explanation of U.S. arms shipments to Iran, a level of credibility not matched by the American public, according to opinion surveys.

What he called Mrs. Thatcher's "sycophancy" toward the U.S. president on foreign policy issues ranging from Central America to the bombing of Libya to Iran makes Mrs. Thatcher "look like a dummy," Mr. Kinnock said.

"It gives a false impression of omnipotence to one side, and an equally false impression of defence on the other side," he said.

During speeches and media appearances in Atlanta, Boston, New York and Washington, Mr. Kinnock is to explain his plans for a new level of "candor" in the special relationship, starting with Labor's proposed scrapping of Britain's nuclear arsenal and its call for the removal of all U.S. nuclear weapons from British soil.

Labor and Mrs. Thatcher's Conservatives are close in opinion polls, and a Labor victory in Britain's next election, likely to be held next year, is possible.



Neil Kinnock

He accused Mrs. Thatcher of 'sycophancy' toward the U.S. president on foreign policy issues ranging from Central America to Iran.

• Labor wants nearly all of the U.S. military forces here to remain. Of the "assortment of 132 American forces installations in Britain," Mr. Kinnock said, "all will be kept" except those housing cruise missiles. The F-111s are welcome, he said, with conventional warheads.

• Labor has no intention of following New Zealand's example of banning nuclear weapon-equipped vessels from British ports.

But following extensive internal debate, Mr. Kinnock and his strategists have agreed that he should deal head-on with the issue during his U.S. appearances. While explaining Labor's nuclear policy, he will clarify what the party considers "alarmist" interpretations of its plans.

Among the points he is expected to make are the following:

• Labor would continue to devote 95 percent of the British defense budget to NATO-related tasks, with an emphasis on beefing up conventional forces. It would continue trying to persuade the alliance as a whole to move away from its dependence on nuclear weapons and toward a more credible "defensive" posture with emphasis on conventional parity.

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2 Million Pages Of Nixon Papers To Be Released

WASHINGTON — A mountain of White House papers that former President Richard M. Nixon once thought he could keep secret will be opened to public inspection Monday after a 12-year battle over their fate.

The National Archives Service, which holds 40 million pages of Nixon material in 20,000 boxes, is releasing about two million pages.

None of the material is expected to shed new light on Watergate, the scandal that toppled Mr. Nixon in 1974, the chief Nixon archivist, James Hastings, said. But John Ehrlichman, a former top aide, quoted Mr. Nixon as saying 15 years ago that he planned to destroy the papers.

The former president, who resigned during Congressional attempts to impeach him, has fought in the courts for control of the papers but lost a key Supreme Court test nine years ago. His lawyers say he is still determined to challenge the legality of making the rest of his papers public but has decided to allow these, presumably less controversial documents, to be shown.

The government has been storing the papers at its archives in Alexandria, Virginia, where they will be on view.

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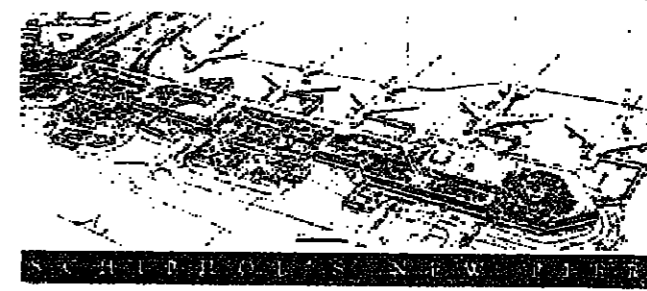
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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Start Investigating Now

For three weeks now, the Reagan administration has been fighting the wrong fire. The Iran-contras arms affair has created its most damaging crisis in six years.

To judge by its behavior so far, the only lesson this administration has learned from Watergate is to burn the tapes. There is little sign of recognition in fundamental policies; White House staff members are caught up in flagrant embarrassments.

In such bizarre circumstances, the best way to protect that trust is to investigate — to find out what happened — regarding both foreign policy and possible criminal violations of law.

A Breakout From SALT

It is not reassuring to learn that last Tuesday, an especially demanding day in the administration's Iranian trials, President Reagan decided upon a "breakout" from the SALT-2 treaty.

The breakout issue has been kicking around for a few years. As new weapons become ready for deployment, should old ones be retired to keep America under the SALT ceilings on offensive strategic arms?

Other Comment

Worried by President Reagan

President Reagan's many British critics have been waiting to put the boot in for six years. They had almost given up hope of laying a finger on him.

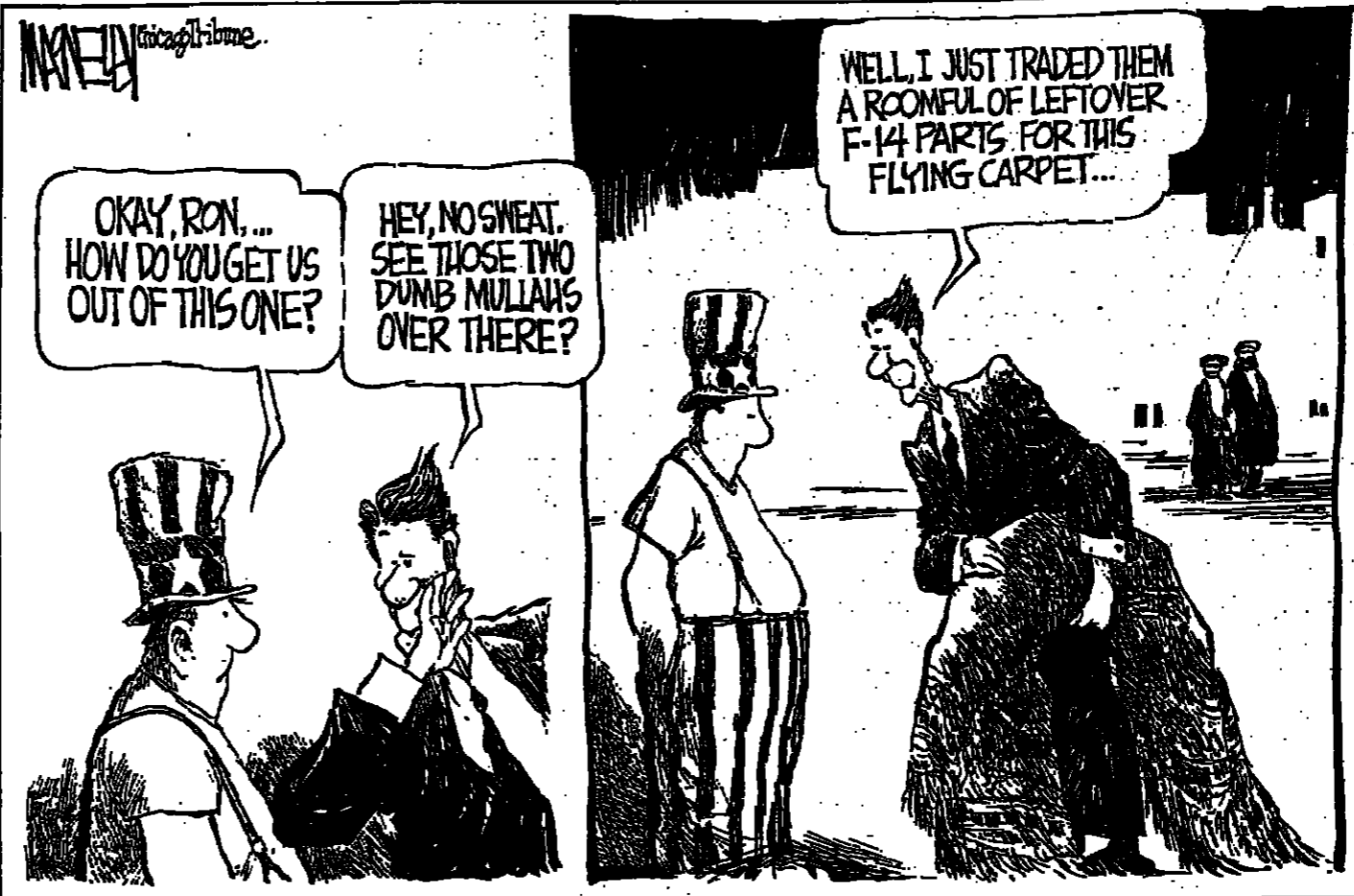
It is far too early to write off Ronald Reagan as a dead duck. In the far from unlikely event of his reopening disarmament negotiations with Mr. Gorbachev and reaching a historic agreement, congressional and public opinion would be as loud as ever in his praises.

Mr. Reagan is not just the president of the United States. He is also leader of the Western world. And he doesn't know what is going on in his own basement?

INTERNATIONAL HERALD TRIBUNE

Editor for Asia: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel. 474-7768. Telex: RS30928. Managing Dir. Asia: Malcolm Glenn, 50 Gloucester Road, Hong Kong. Tel. 4-841016. Telex: 61170.

OPINION



By Flora Lewis

PARIS — Fears are spreading around the world that Washington is headed for another Watergate. That is not in the interest of anybody — not of America, not of its allies and friends, not even of the Soviets, if they can understand it, although Tass is taking ghoulish pleasure in telling lies of its own these days, such as denying any Soviet involvement in arms shipments to Iran.

many people outside the administration knew that foolish things were being done in the name of slogan policy, and that end runs were being made around Congress. Whether or not President Reagan knew the details is beside the point. If he did not, it was because he did not want to and did not understand that making policy involves more than poll ratings and a polished image.

Americans Got the Administration They Wanted

By James Reston

WASHINGTON — The events of recent weeks have to make us wonder not merely what is happening to the Reagan administration but what is happening to America. Where are we going?

deceive them. Every quality or lack thereof that he has demonstrated in the White House was apparent and reported when he was in Sacramento as governor of California.

the Executive Office Building across the street or what he was saying to the Iranians or what papers he was shredding when the game was exposed.

In Donald Regan, we have a chief of staff running what he calls a "shovel brigade" to clean up the mess. A brigade of publicity manipulators and speech writers produces copy for the invisible TelePromp-Ter. The cabinet gives different explanations of what it is all about on Sunday morning television shows.

Too Much Is Being Expected of Japan

By Patrick L. Smith

HONG KONG — Asia's expectations of Japan seem to have risen in recent months as markedly as the value of the yen. One after another, the region's leaders have signaled faith in the role that Japanese investment and technology are to play in furthering the Asian "economic miracle." The strengthening of the Japanese currency, many Asian analysts say, has produced a basic shift in economic impetus from America to Japan.

beneath the surface. But it is unlikely to do so by accepting more industrial goods from these countries, or by converting their yen-denominated debt into equity, as they ask.

pronounced, pattern. Clearly, the chief beneficiaries of current shifts in the Japanese economy will be Japan's Western trading partners, who pressured Tokyo to revalue the yen in the first place.

For much of Asia, it may be time to accept that the economic miracle is simply fading. marketing opportunity. And their traditional attraction for Japanese manufacturers — low wages — is becoming of secondary importance.

LETTER

The Imam Has Support

As a Moslem who visited Iran this year and made the pilgrimage to Mecca, I disagree with the opinion columns by Ateed Davah (Nov. 25 and 26) about the alleged decline of the revolution. Talking with Arab and other pilgrims, I realized how sympathetic the "little people" of the Moslem world are toward Imam Khomeini's movement. The West will soon find out; it will lose the Middle East as it lost China in 1949. As for Iranian Moslems, in spite of all the hardships, they are behind their Islamic government. That, too, the West (and the East) will find out.

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Most Gave Thanks

LONDON — Whitelaw Reid, the American Ambassador, spoke at a Thanksgiving Day dinner at the Savoy Hotel [on Nov. 30]. "There are only two kinds of Americans who will not cordially respond to our toast, 'The Day We Celebrate.' One of these is the class that is never satisfied with its own country. These persons seem to think we are going to perdition... that all American politics are a writer of corruption, that American business is a cross between gambling and grand larceny. Then we have another kind of American who struts about the millinery shops and the summer hotels of Europe... sniffing at the inhabitants and telling each other 'everything here is falling what it is back in God's country.' Probably neither of these small but noisy classes is much in sympathy with the spirit of the day we celebrate."

The Lesson From Chad For Reagan

By Jim Hoagland

PARIS — John Poindexter and Oliver North appear to have been victims of their audacious confidence that they could manipulate the messy and violent politics of Iran to American advantage, in the Middle East and in Central America. Their activist reach exceeded their analytical grasp, and they have paid the price.

In meeting after meeting this year, American officials urged the French to "unleash" Hissène Habré's government forces to go north and launch a frontal assault against Colonel Gadhafi's 5,000-man occupation army and allied Chadian rebels. Promises of American logistical support accompanied these appeals.

France instead adopted an incremental policy of waiting. Colonel Gadhafi out and skillfully encouraging the rebels to turn against the Libyans. When the Chadian rebels, led by Goukouni Oueddei, revolted against the Libyans two months ago, the French established a supply route to move weapons to them. Mr. Goukouni was wounded in a fight with Libyan troops who were trying to arrest him, and is now reportedly under guard in a Tripoli hospital.

It is consistent with their view that the American bombing in April, while useful in punishing Colonel Gadhafi for past terrorist outrages and in restraining him from future acts, probably retarded internal efforts to overthrow him.

These closest neighbors may exist near the top of the regime. Indeed, there is a reasonable case to be made that whoever met Mr. Reagan's envoys would have sought and received tacit approval from Ayatollah Ruhollah Khomeini before undertaking such an effort. When he cut off questions in parliament about the American mission, the ayatollah lent support to such a supposition.

1936: Death of a 'Palace'

LONDON — Flames have destroyed the Crystal Palace, the vast Victorian structure of glass and iron which has dominated the horizon of southern London for nearly a century. The fire started [on Nov. 30] in a workshop of the building and, fanned by a north-west wind, swept through the famous exhibition hall. An hour and a half after the blaze broke out, the huge glass roof crashed down. The London landmark was erected in Hyde Park for the Industrial Exhibition of 1851. When the exhibition closed, it was moved to Sydenham. Sir Joseph Paxton designed the structure, of which the light and airy glass vanishing of the roof was of particular interest. [Among other attractions] it presented the public with numerous concert halls and courts containing copies of architecture and sculpture of the most highly civilized nations.

Russia, an Iraqi Ally, Reportedly Has Sent Arms Secretly to Iran

The Associated Press
LONDON — The Sunday Times said that the Soviet leader, Mikhail S. Gorbachev, has been making secret arms shipments to Iran.

The newspaper quoted authoritative reports as saying the Soviet Union had supplied arms directly to Iran, as well as indirectly through countries including North Korea, Czechoslovakia and probably Libya and Syria.

The report gave no other details of the reported shipments, Iran and Iraq have been at war since September 1980.

The Russians have treaty commitments to Iraq.

U.S. officials have said that Iran buys about half its weapons from Soviet allies, a third from China and the rest from illegal and semi-legal sources in the West and developing countries.

The Sunday Times said that because the Kremlin "has the same view of Iran's strategic importance as the White House," the Soviet Union had been making "vigorous attempts to repair its shattered ties with Iran."

Soviet relations with post-revolutionary Iran have been hurt by Iran's execution of Communists, its outlawing of Tudeh, which is the

Iranian Communist Party, and its expulsions of Soviet diplomats.

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Iranian Communist Party, and its expulsions of Soviet diplomats.



10 Die in Fighting in Lebanon
As a room burned behind them, Shiite Muslim militiamen watched Palestinian guerrillas Sunday from a balcony in the Chantia refugee camp outside Beirut. Ten persons died as Shiite-Muslim battles continued there, in two other Palestinian camps and near Tyre. An Arab League envoy met with Prime Minister Rashid Karami to discuss ways to end the five weeks of fighting.

A Gypsy Intellectual Speaks Out

He Says His People Must Pull Themselves From Poverty

By Jackson Diehl
Washington Post Service
BUDAPEST — Born and raised in the squalid mud hut of a poor Gypsy family, Menyher Lakatos can speak with conviction about what he calls "the dark world" that envelops Gypsy communities in Eastern Europe.

By his account, it is a world of ignorance, poverty and prejudice that modern development has done little to relieve. "It may seem romantic to an outsider, but the cultural situation of Gypsies is quite backward," he said.

These changes come in the context of official neglect generally for Gypsy communities in the region. Neither Romania, with a Gypsy population estimated at more than one million, nor Yugoslavia, with at least 300,000, has Gypsy language schools or political organizations recognized by state authorities.

SAUDI: Role in Iran Deal, 'Contra' Funding Reported

(Continued from page 1)
Washington, said Mr. Mussallam was in some ways a counterpart to Colonel North. He added that the Saudis wanted to mollify Iran, which had been demanding that the Saudis intercede with Washington to obtain spare parts for American-made Iranian F-14 jets.



Mr. Lilaç is now a consultant to Prince Bandar bin Sultan, the Saudi ambassador to the United States, according to an official at the Saudi Embassy.

KOREA: Seoul Riot Policemen Block Opposition Rally

(Continued from page 1)
It shows that most of the people do not like the kind of rally that could lead to unexpected violence.

The police action Saturday threatened to deepen South Korea's political divisions, especially over the core issue of constitutional change for choosing a national

Chirac Says Iran Requested Arms

PARIS — Prime Minister Jacques Chirac said Sunday that Iran had asked France to make arms deliveries to help improve relations between the two countries but that France had refused.

Mr. Chirac said the arms question was one of four issues raised by Iran when his government began its attempts to improve relations with Tehran in an effort to free French hostages in Lebanon.

OIL: Beating the Ban

(Continued from page 1)
which calls the international shipping press to trace tankers bound for South Africa, has identified a small group of independent oil traders that it says now dominates the trade.

One of these traders is Marc Rich, the fugitive financier who fled to Switzerland after his 1983 indictment in the United States on tax evasion charges.

GRANT: Actor of Elegance

(Continued from page 1)
Cary Grant in recent photo.



Mr. Grant's last film appearance was in 1966, in "Walk Don't Run." His private life was in some ways less fortunate than his career.

INQUIRY: Meese Is Expected to Name Special Counsel

(Continued from page 1)
must be sought comes at a time when some members of the White House staff are expressing concern behind the scenes that the appearance of a cover-up would be more damaging to Mr. Reagan than the Iranian arms controversy itself.

Two officials have been removed because of the scandal. They are Vice Admiral John M. Poindexter, the national security adviser, who resigned, and Major Lieutenant Colonel Oliver L. North, a National Security Council staff member, who was dismissed.

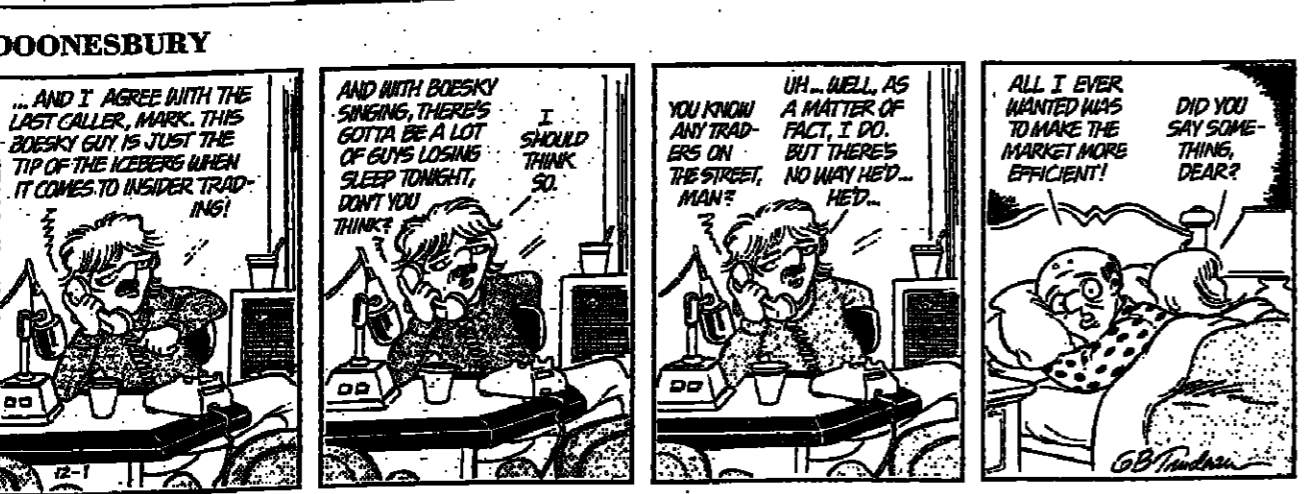
The counsel, then called a special prosecutor, was a key element in unraveling the Watergate scandal more than a decade ago. An independent counsel was used to investigate charges against Mr. Meese himself when he was nominated to be attorney general because of allegations of financial improprieties.

Israel to Investigate Arms Sale

JERUSALEM — The Israeli communications minister, Amnon Rubinstein, said Sunday that an investigation would be conducted to see if private Israeli arms dealers made illegal profits in shipping U.S. weapons to Iran.

Under the 1978 ethics law, only the attorney general can decide to seek an independent counsel. Mr. Meese must first ask a special three-judge panel of the U.S. Circuit Court of Appeals for the appointment of such a counsel.

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Germany	D.M.	560	300	170
Great Britain	£	120	65	36
Greece	Dr.	20,000	11,000	6,000
Netherlands	Fl.	634	340	190
Ireland	E.I.R.	140	77	42
Italy	Lira	350,000	190,000	104,000
Luxembourg	L.F.	10,700	5,800	3,200
Norway	N.Kr.	1,650	900	500
Portugal	Esc.	19,000	10,400	5,700
Spain	Ptas.	26,500	14,600	8,000
Sweden	S.Kr.	1,700	920	520
Switzerland	S.F.	490	270	148
Rest of Europe, North Africa, former French Africa, Middle East	£	400	220	130
Rest of Africa, Gulf States, Asia	£	550	300	165

THE INQUIRY INTO THE IRAN AFFAIR: The departed aides harbor no feelings of guilt

Poindexter Believes History Will Vindicate Him, Aide Says

By Bob Woodward

Washington Post Service

WASHINGTON — Tuesday morning at about 7:30 the White House national security adviser, Vice Admiral John M. Poindexter, was picking over his breakfast in his West Wing office when he suddenly mentioned to an aide, "I'll be calling the president... requesting reassignment in the navy."

There were no jitters, no real emotion. The vice admiral's face was stony as he returned to his inbox, still stuffed with the flow of national security paper.

"Of all the people in the world who might have to take a fall," the aide later said, "the admiral was probably the most qualified in history."

Admiral Poindexter, 51, has turned inward in the days after his fall, according to several of those who thought they were closest to this most distant of men.

"He thinks history will vindicate him," an aide said, "that the Iran opening was well-intended, well-thought-out." He added, "There's two years of paper over here that he's wrapped around an attempt to get hostages out."

Administration and cabinet officers have spoken privately with decision of Admiral Poindexter as a man who never mastered his assignment, isolated himself and never displayed any political understanding while holding one of the most politically sensitive posts in government.

But sources said Admiral Poindexter was confident of his position. They said he probably was not illegal when funds from the Iran arms sales were diverted to aid the rebels, known as "contras," fighting the Nicaraguan government.

Lieutenant Colonel Oliver L. North, the Poindexter aide dismissed last week when Admiral Poindexter's resignation was announced by the president, also "did not treat the contra spinoff as illegal," according to a source.

Several of those closest to the admiral said that the admiral Poindexter was a private man and that he ran an intensely private shop in the West Wing.

"Need-to-know was second nature with him," an official said. Another called him "the covert man."

Admiral Poindexter learned about the contra connection from Colonel North, according to sources, when Colonel North mentioned a "spin-off" to the arms sales operation. That reference, the sources said, was to the \$10 million to \$30 million that Attorney General Edwin Meese 3d said was deposited in Swiss bank accounts to aid the Nicaraguan rebels.

Admiral Poindexter never sought a legal opinion about this "spin-off," which has become the core of the controversy, according to a source.

A number of sources maintain that Admiral Poindexter did not share the information with his closest aides on the National Security Council, and after the public disclosure Tuesday Admiral Poindexter did not treat it as a big secret.

"It was not treated as that ultra-sensitive, not like arms control matters and really sensitive intelligence covert operations," said a source who talked with Admiral Poindexter after Tuesday.

Four channels were important and generally not known to others on the Security Council staff, the sources said. They were the following:

• The paper flow of "eyes-only" messages or documents that came to Admiral Poindexter in sealed envelopes; also, messengers occasionally delivered intelligence and other reports to him.

• Closed-door meetings with key aides or other senior government officials in Admiral Poindexter's office. A source said that Colonel North had such sessions with Admiral Poindexter, but no more frequently than some other senior Security Council aides.

• The relationship with the White House chief of staff, Donald T. Regan, which included periodic one-on-one briefings, usual weekly breakfasts between the two men, and the so-called "9:30 time" when Admiral Poindexter briefed the

president in the morning with Mr. Regan frequently attending.

• The direct access to the president, which included one-on-one meetings on rare occasions and a direct phone line to the Oval Office that was used regularly. One source said Admiral Poindexter also frequently sent memos, intelligence reports and cables to the president.

Sources and officials who worked closely with Admiral Poindexter during his 50-week tenure as security adviser agreed that it was pretty much a guessing game for anyone to figure out what Admiral Poindexter did or did not pass along to Mr. Regan and to the president.

Admiral Poindexter, according to a source, considered Mr. Regan the person who provided order to the president's day and most someone to inform about every detail of national security policy. This source said he was suspicious of reports claiming that Colonel North informed Mr. Regan of the contra connection.

Another more senior White House official who nevertheless was less informed about the daily information flow said Mr. Regan was keenly attuned to the president's near-obsession with the contra cause and that the chief of staff accordingly made sure he kept himself informed about the matter.

Bush, Eye on '88, Faces Dilemma Over Scandal

By R.W. Apple Jr.

New York Times Service

WASHINGTON — Vice President George Bush, who has been all but invisible to the public since the crisis over arm shipments to Iran erupted, intends to make a public statement on the situation soon, perhaps this week, according to friends and associates.

"He is not trying to distance himself from the president," a friend said Saturday. "It would be a very serious error to avoid comment altogether, but it is only prudent to wait for a bit while the situation resolves itself. Whatever he says will not only attract a lot of attention now, it will be remembered all through 1988."

Mr. Bush's behavior has been closely watched because he formerly headed the Central Intelligence Agency, which played a role in the arms shipments, because he and a member of his staff have links to the rebels in Nicaragua, who received part of the proceeds of the arms sales; and because he is the leading candidate for the Republican presidential nomination in 1988.

Mr. Bush has made no public appearances since the Iran affair became a dominant issue in Washington. But his friends dismiss allegations that he has been hiding as part of a strategy to insulate himself from the damage the controversy has caused to the administration's credibility.

Several Bush supporters said he had been meeting every day with

President Ronald Reagan to discuss the crisis until he left the capital Wednesday to spend the long Thanksgiving weekend with his family in Kennebunkport, Maine. At those meetings and in repeated telephone conversations, an aide said, the vice president offered detailed advice to Mr. Reagan.

The aide suggested that Donald T. Regan, the White House chief of staff, was concerned about his own future and that Mr. Bush was there to play an advisory role that Mr. Regan might otherwise play.

The vice president's political advisers are divided on the impact that the crisis has already had on his chances in 1988. One group, said to include Lee Atwater, who then was national security adviser, or whether he opposed it, along with Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger. That may be one question he will address this week.

Political analysts say Mr. Bush is in a difficult position. He has made much of his loyalty to Mr. Reagan, often supporting the president publicly even when he had private doubts about certain issues. He will not want to undermine that record now, but he and his advisers know that there will probably be many more revelations about the arms sales.

"It's hard to know just what to do," a friend commented, "when you don't really know what's in Ollie's safe," a reference to Lieutenant Colonel Oliver L. North, a



Oliver L. North

North: 'Tough Marine' Under Fire

Ready to Shoulder Blame, Friends Say

By Shirley Christian

New York Times Service

WASHINGTON — Oliver L. North, the Marine lieutenant colonel at the center of the storm involving Iranian arms sales and aid to the Nicaraguan insurgents, was described by friends last week as being prepared to take the blame like a mixture of martyr and good soldier.

One acquaintance said Colonel North had reacted to suggestions that he might be a scapegoat by saying that he was a soldier and equating his situation to that of a field commander expected to take all the risks necessary to achieve an objective.

He was also reported by acquaintances to feel he had done nothing wrong during his five and a half years on the National Security Council staff, including the operation revealed by Attorney General Edwin Meese 3d to divert profits from sales of weapons to Iran to a Swiss bank account for use by anti-Sandinist rebels.

Colonel North, talking about his situation Thursday, declined to comment directly on whether he was protecting other people, but he appeared relaxed and confident.

In the midst of the conversation at his home in the wooded hills of Northern Virginia, a neighbor's horse came galloping down the road, reared. The colonel ran out into the road, blocked the animal's path and guided it into his

own yard, where his children calmed it. Colonel North, 43, said he did not intend to seek disability retirement from the Marine Corps for his Vietnam War wounds but would serve the year and a half remaining to him before normal retirement, while also being available for the various investigations of his White House role.

"Then I intend to find a job and make a lot of money, to send four kids to college," he said as he hugged the 10-year-old daughter he called "my sunshine."

One friend, recalling reports of animosity or jealousy within the armed services about the colonel's White House influence, said Colonel North had effectively sacrificed whatever future he may have had in the Marine Corps "because he believed in the president."

Friends said that while many of them were near tears when they heard President Ronald Reagan announce Tuesday that Colonel North had been dismissed from the National Security Council staff, he himself had seemed to take it almost stoically, or like "a typical tough marine."

In the succeeding days, they said, his peace of mind seemed to grow, in part because of the outpouring of support he received.

They said he was also heartened by a telephone call of gratitude from President Reagan who, according to one acquaintance, began the conversation by suggesting that the revelations of recent days would make a great movie.

The working style and habits described by people who have seen the

colonel at close range do, indeed, seem to be destined for book or screen, although he insisted, in an interview last year, that he would never consider being part of such an undertaking.

For one thing, the sources point out, whenever Colonel North was not engaged in affairs of state, he was absorbed with his wife, Betsy, and their children, his religious faith and the concerns of his two-acre (3.6-hectare) home with its three horses and three dogs. It is he who takes the children to Roman Catholic Mass on Sundays, they said.

Those close to him described him as highly intelligent and articulate, a cheerful workaholic who produces when others delegate, the man who had the "broader view" on the National Security Council, and as a spinner of global fantasies that would have made the Iran-Nicaragua connection seem entirely plausible.

He was described as someone who got passionately involved in causes that interest him, including the Middle East hostages and the Nicaraguan rebels. Similarly, the sources said, he aroused strong ties of friendship and loyalty from friends and colleagues.

A White House official closely involved in Central American policy said that "people who ask how a lieutenant colonel could have come up with such a thing don't know Oliver L. North."

The official called it a "barbaric idea, getting the establish to pay" for the Nicaraguan rebels. He added that his guess was that "Ollie saw a very elegant way to solve both problems."

REAGAN: Press Blamed for Crisis

(Continued from page 1)

lance, the former national security adviser, traveled secretly to Tehran to negotiate over arms supplies for Iran.

Mr. Reagan had high praise for Lieutenant Colonel Oliver L. North, a national security council staffer dismissed Tuesday following disclosure of his role in the funding of Nicaraguan "contras," as the rebels are called, with revenues from the Iranian arms sales.

"I do not feel betrayed," the president said. "Lieutenant Colonel North was involved in all our operations: the Achille Lauro, Libya. He has a fine record. He is a national hero."

"My only criticism is that I wasn't told everything," Mr. Reagan said.

The president called Vice Admiral John M. Poindexter, who resigned Tuesday as national security adviser, "a fine naval officer" who should be admired for his belief that responsibility must be taken "even if you are asleep in your bunk when the ship runs aground."

Mr. Reagan also defended his policy, saying, "I think we took the only action we could have in Iran. I am not going to disavow it. I do not think it was a mistake."

Vice President George Bush, in a separate Time interview that was his first statement on the affair, denied any part in the covert funding of the contras.

Mr. Bush, who has remained silent during the crisis, denied he had dodged responsibility.

"When the flak gets heavy out there, the wingman doesn't go peeling off and pull away from the flight leader," said Mr. Bush, who was a decorated navy pilot in World War II, "especially when the flight leader is known to the wingman to have total ability and a good record."

"There is this insidious suggestion that I was conducting an operation. It's untrue, unfair and totally wrong."

Mr. Bush also voiced support for Colonel North, calling him "deeply patriotic, deeply convinced on our policy of trying to restore the revolu-

tionary dream of democracy to Nicaragua."

The Miami Herald reported Sunday that Mr. Bush was briefed regularly by Colonel North and contra leaders during the time Colonel North sought private supply sources for the contras.

The Herald quoted unidentified administration, congressional and rebel sources as saying Mr. Bush was routinely informed by Mr. North.

However, the sources could not say if Mr. Bush knew that Colonel North had played a role in diverting \$10 million to \$30 million from the sale of arms to Iran to pay for weapons and services for the contras.

Iraq Seeks Action By 3 Agencies on U.S.-Iran Dealings

BAGHDAD — Iraq called on three international organizations Sunday to take "appropriate measures" over arms deals between the United States, Israel and Iran.

Foreign Minister Tariq Aziz made the appeal in separate letters to the Arab League, the Islamic Conference Organization and the Nonaligned Movement.

"Arrangements cooperation between the United States, Israel and Iran has become a fact," Mr. Aziz said, adding that "Iraq appeals for appropriate measures to confront its threats."

He asked the Arab League secretary to circulate to member nations certain statements issued by the Reagan administration on the arms sales to Iran.

Iraq said Friday that Iran should be expelled from the Islamic Conference for obtaining arms via Israel. The Iranian religious affairs minister, Abdollah Fathi, urged the conference to place the issue on the agenda of the Islamic meeting Jan. 26 in Kuwait.

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Sweden: Looking Inward

IN THE NEWS

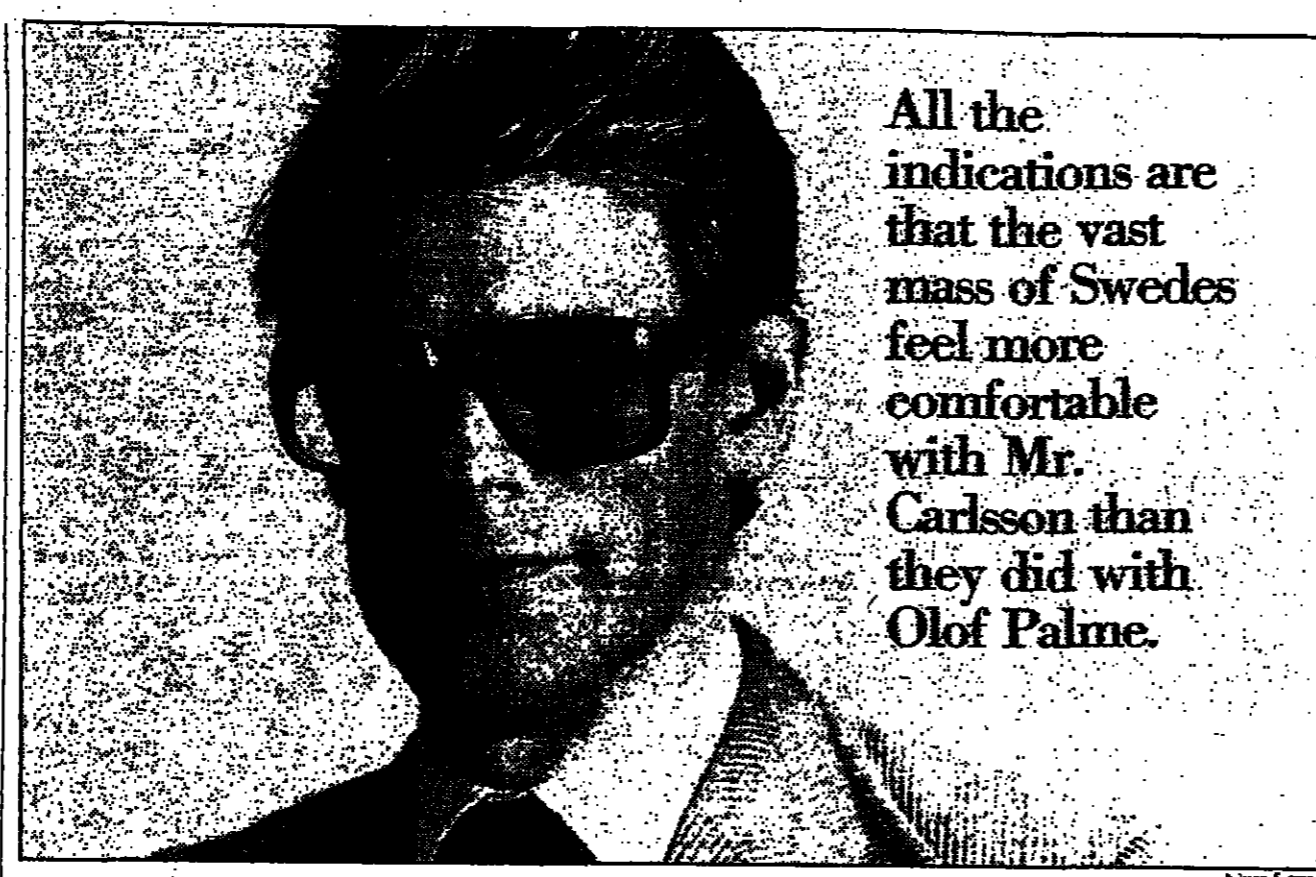
Feb. 28: Olof Palme Is Shot Dead in Stockholm
Prime Minister Olof Palme is assassinated in central Stockholm as he returned to his home with his wife. Palme, 59, was head of the Social Democratic Party for 17 years. Police offered a \$70,000 reward for information leading to the arrest of a suspect. On March 1, Ingvar Carlsson was nominated prime minister by the Social Democrats. Mr. Carlsson, 51, was Palme's chief aide since the Social Democrats' return to power in 1982.

April 14: Carlsson Holds Talks in Moscow
Ingvar Carlsson begins a four-day visit to the Soviet Union, the first by a Swedish head of government in 10 years. This came after cancellation a few months earlier of a visit by a high-level trade delegation to Moscow following submarine incursions.

April 28: Sweden Detects Chernobyl Nuclear Accident
Radioactive particles found on the shoe soles of a worker at the Forsmark reactor No. 1, about 160 kilometers from Stockholm, trigger an alarm, leading to the discovery of the Chernobyl meltdown accident that occurred in the Ukraine a few days earlier. Because of the vagaries of wind and weather, Sweden bore the brunt of the fallout.

Oct. 3: Ministry Says Waters Are Violated
Defense Minister Bengt Gustafsson, new military commander-in-chief, announces he has proof of submarine violations in Swedish waters.

Oct. 6: Strikes Disrupt Public Sector Services
An estimated 20,000 workers in health, transport and other public services throughout the country demand pay increases matching those of the private sector. On Oct. 30, a settlement is reached giving Sweden's 1.5 million municipal and county employees pay raises of close to 8.8 percent over the next two years.



Ingvar Carlsson, who succeeded Olof Palme as prime minister.

All the indications are that the vast mass of Swedes feel more comfortable with Mr. Carlsson than they did with Olof Palme.

Care Without Flair

Model State Charts Pragmatic Course

By Chris Mosey

STOCKHOLM — It has long been commonplace for foreign observers to describe Sweden, after its rapid metamorphosis from a poor, agricultural backwater to a modern, high-tech welfare state, as a country that has lost its soul, its citizens' rural values at odds with modern urban civilization.

This year may well come to be seen as the year that it lost its conscience into the bargain.

The assassination of Prime Minister Olof Palme on Feb. 28 robbed this small nation of 8.3 million inhabitants not only of its only mega-personality but also of its voice.

Palme was that curious mixture: an upper-class socialist. In what is probably the most conformist country in Western Europe, its population frequently criticized for its too-easy acceptance of the dictates of authority, for putting the collective good before that of the individual, Palme's unorthodox, highly personal style, often veering to arrogance, was regarded with suspicion.

Yet it was precisely this, wedded to his considerable intellectual gifts, that had enabled him to drag Sweden onto the international stage and hold it there, an example and an admonishment to other less well-starred social systems, other less altruistic foreign policies.

Sweden's much-publicized disagreements with the United States, first over Vietnam, later over Latin America, were instigated by Palme, projecting his own liberal conscience as that of his more inward-looking nation.

Palme remained firmly rooted in the idealism of the 1960s when he came to power, and, simplistically, in retrospect, he can perhaps best be understood as a European Kennedy, suffering at last the same fate as John and Robert from a reality at odds with his vision of how it should be.

It was Palme that set the parameters for Sweden's generous refugee policy. The country opened its doors to minorities battling for their rights in various parts of the world, the distinction between "liberation movement" and "terrorist organization" often ignored.

By a cruel irony, one such group, the Kurds, are now the principal suspects of the police in their search for Palme's killer, who is thought to have struck in revenge for the imprisonment of two of their fellows for political execution in Sweden.

Police now claim to know the name of the assassin, who is "hotbed-up" in what is diplomatically described as "a non-European country with no extradition treaty with Sweden."

Already there are indications that Sweden will pursue a less generous immigration policy in the future. But on most other fronts, too, changes of emphasis are becoming apparent.

Palme's successor, Ingvar Carlsson, lacks all the contradictory qualities that made the murdered prime minister an international figure, that made him larger-than-life, generating either love or hate, seldom indifference.

Mr. Carlsson is pure, uncomplicated working class. He was born in 1934 in the town of Borås, his father a storekeeper and truck driver, his mother a worker in a textile factory. His great love is that most working-class of all sports, soccer, which he still plays.

Apart from the occasions on which a boyish smile lightens a long, dour and bespectacled countenance, his charisma on a scale from one to 10 rarely flickers over the halfway mark.

He is a cautious, pragmatic person, feeling his way forward with care rather than flair, unwilling, even on a traditionally "safe" liberal cause like South Africa, to go too far too soon.

Yet all the indications are that the vast mass of Swedes feel more comfortable with him than they did with Palme.

The reason seems to be that Mr. Carlsson is more likely to grow into the role they idealize for their statesman: that of a *landsfader*, a kind of national father figure running the welfare state efficiently and kindly, putting the country to bed each night with comforting stories that its population has never had it so good, rather than parables about injustice elsewhere in the world.

Already Mr. Carlsson has shown himself to

Neutrality Hones Exports Edge

By Juris Kaza

STOCKHOLM — West Germany regained its status as Sweden's number one export market in the first six months of 1986, after briefly losing to the United States during 1985. Other important markets were Britain, Sweden's immediate Nordic neighbors and France.

West Germany also ranked number one among importers to Sweden, along with Britain, the United States, the Nordic countries and Japan.

The days when Sweden was a supplier of iron ore and lumber on the frozen northern edge of industrial Europe are long gone, according to Bo Flampus Israelsson, president of the Swedish Export Council, a trade promotion agency that is owned 50-50 by state and industrial interests.

"We have experienced a steady increase in the share of manufactured industrial products and other processed goods in our exports," Mr. Israelsson said, adding, "manufactured goods are now around 50 percent of total exports, while minerals are less than 10 percent and forest products around 18 percent."

He predicted that West Germany, the United States and other European countries would continue to be the most important export markets for Sweden in the foreseeable future, "and our biggest competitors will be Germany and Japan in manufactured goods."

Commenting on the rise of the United States from seventh place in 1980 to first place in 1985 among Sweden's export markets, the Export Council president said that the nation's biggest export markets are not necessarily the most profitable for business.

"No other country," he said, referring to the United States, "has demanded so many sacri-

ces and efforts from Swedish business. The competition is intense there. It is the toughest market, absolutely, and it is underestimated by Swedes."

He added that one reason the Swedes did not avoid the pitfalls of the American market was because of the considerable exposure to American lifestyles and culture in Sweden that deceives businessmen into thinking reality in the United States is as open and easy as it appears on television.

Mr. Israelsson predicted that "the big Swedish companies will hold their positions" in the U.S. market while "the medium-sized exporters will have a very tough time."

During the first half of 1986, Sweden posted a trade surplus of 20.5 billion kronor (\$2.9 billion), compared to 15.8 billion kronor for all of 1985 and 24.3 billion kronor in 1984. Although some observers predict a record

Continued on page 9

Competitiveness at Stake

Inflation Threatens After Strike

Some 1.5 million municipal and county employees will be getting pay raises of nearly 8.8 percent over the next two years.



Construction workers leaving an oil rig in Gothenburg.

STOCKHOLM — The settlement on Oct. 30 of Sweden's public sector employees' strike has raised fears that the economy will be dragged into a new wage-price spiral that will damage the nation's international competitiveness.

The strike disrupted day care, health, public transport and some postal and administrative services and would have been widened to affect customs officers, crippling Sweden's foreign trade, if a settlement had not been reached.

Some 1.5 million municipal and county employees will be getting pay raises of nearly 8.8 percent over the next two years, fractionally lower than a 9-percent pay hike that Finance Minister Kjell-Olof Feldt said would be unacceptable. Mr. Feldt said after the settlement that the new public sector wage hikes would probably mean a rise in municipal taxes and fees charged for public services in many parts of Sweden.

Until the fall, most economists had been saying that lower oil prices combined with a falling dollar would continue to benefit the Swedish economy for the rest of 1986 and probably well into 1987. Growth forecasts were raised as the year went on, and forecasters also looked for a record trade surplus, with the price of oil imports plummeting and exchange rate differences still favoring Swedish exports against West German and Japanese competition.

But an unexpected surge in the September inflation rate, up 0.9 percent from August and 2.6 percent from September 1985, has combined with labor market developments to give some economists second thoughts. What worries economists most is that inflation for all of 1986 will rise past 3.2 percent, triggering a new round of labor negotiations in January.

Those negotiations, warns Svenska Handelsbanken economist and vice-president Lillemor Thalin, would probably be conducted in a climate of rising inflationary expectations.

"The September consumer price rise was across a wide range of goods, such as clothing and food," Mrs. Thalin explained. "Now, even with that, our average inflation in 1986 may be 4 percent, compared to 7.5 percent in 1985. That's not the problem. The problem is you get

another round of wage talks with people believing the price trend has turned up again."

The public-sector settlement avoided a clause that would have locked public employees' wages to private sector wages, breaking with earlier Swedish practice, but the issue could be rekindled if labor contracts must be renegotiated in January.

"Wage costs will rise 14 or 15 percent in 1986 and 1987, including 'overhang' from previous contracts. There will be pressure for tax increases, which in turn will cut into private sector incomes," she said. "All this will drive up inflation and destroy the competitiveness of Swedish industry."

Among more optimistic forecasters, Swedbank, the commercial bank owned by Sweden's savings banks, said that exchange rate developments favoring the krona against the yen and Deutsche mark would help the price competitiveness of Swedish exports despite domestic labor cost developments.

But even Swedbank warned, in an analysis prepared in September, as the strikes loomed, that "a slower rate of [wage increases] is absolutely necessary in the new international environment of lower inflation."

Like Swedbank's analysts, PK-Banken economist Olle Djerf stressed that almost all the bright aspects of the Swedish economy in 1986 have been the result of lucky and unexpected international circumstances.

"The lower oil bill represents more than half the improvement in the balance of trade," he wrote in a recent analysis published by the bank.

In a report on the economy to the Riksdag, Sweden's parliament, Prime Minister Ingvar Carlsson's Social Democratic government forecast economic growth of between 1.5 and 2 percent in both 1986 and 1987. It forecast record trade surpluses of 33.6 billion kronor in 1986 and 34.2 billion kronor in 1987, but cautioned that price and wage increases had led to Sweden losing some market shares.

Apart from the labor market conflict, eco-

Juris Kaza

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Deficit Pales Euromarket's Glow

By Juris Kaza

STOCKHOLM — The Nordic nations are no strangers to the Euromarket, least of all Sweden, by far the most active and home to some of its most sought-after borrowers.

In recent years, banks based here, too, have increased their muscle as active participants on the markets, carving out special niches where their Nordic background is a profitable advantage.

What has lured almost all the world's banks to at least regularly call in Stockholm — as well as Copenhagen, Helsinki and Oslo — have been the corporate "kings" and offshore oil platforms dotting the region.

The "kings" came largely to finance the generosity of the Scandinavian welfare states that grew up around the ceremonial thrones in the Kingdom of Denmark and the Kingdom of Sweden. In the early 1980s, Sweden was considered one of the world's most attractive, innovative and demanding Euromarket borrowers. But as government deficits shrank and the mandate switched from making stunning new deals to shuffling around old debt on better terms, the kingdoms faded on the markets.

Left are the "kings" of the region's industries. Corporate leaders such as ASEA president Percy Barnevik, Volvo chairman Pehr G.

Gyllenhammar, and Electrolux chairman Hans Werthen personally some of the world's best known multinationals that happen to be Scandinavian. Profits, to be sure, have been at record levels for many Swedish multinationals. High profitability has increased Swedish corporations' chances to exploit new financing techniques and markets, since beggars can hardly be choosers.

"The Euroequity has generated much inter-

As government deficits shrank, the kingdoms faded.

est among Scandinavian clients, and there are many who can make use of it," says Jonathan Paine, a director in charge of corporate finance at London's Enskilda Securities, an investment bank owned by Sweden's Skandinaviska Enskilda Banken, the Nordic region's largest commercial bank.

Enskilda Securities competes with rival Svenska International, owned by Svenska Handelsbanken, for position of the world's single largest manager of international equity issues for Scandinavian corporate clients. To be sure, other major Nordic banks work the London market from well-established subsidiaries, but because of the region's corporate structure, this world-class contest often pits Swedes against Swedes.

Sovereign borrowing by Sweden had its heyday in the early 1980s, when Peter Engström ran the international loans department of the National Debt Office. Now Mr. Engström has left to become a deputy managing director at Union Bank of Switzerland in London.

His replacement, acting director of the international loans department, Göran Nyrdén, says "we are no longer a net borrower but will be a net repayer in 1986."

The main activity of the Debt Office is "debt management, including interest rate swaps, re-arrangement of the portfolio to cut costs," Mr. Nyrdén said.

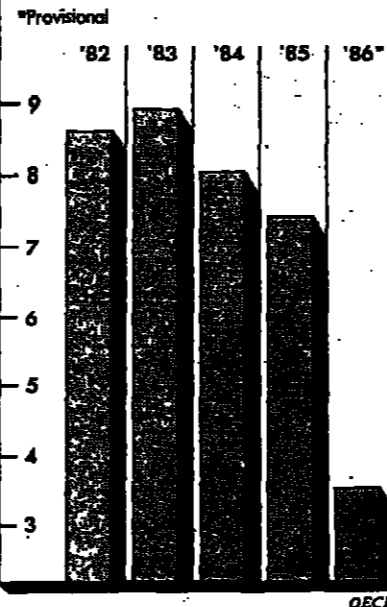
Since the start of the year, Sweden has reduced its foreign debt to 128 billion kronor from 135 billion kronor.

Mr. Nyrdén maintains that Sweden still uses innovative techniques.

"We work with Euronotes, and since September we have a program of short-term notes in the U.S., which allow us to borrow funds from a few days to six months," he said.

Inflation

Inflation eased to 4 percent in 1986 but wage costs — expected to rise 1.4 to 1.5 percent over the rest of the year and into 1987 — and mounting pressure for tax increases are expected to cut into private sector incomes, rekindling inflationary pressure.



Model State on New Path

Continued from page 7

be a sound administrator and defender of the welfare state.

He held firm this autumn as militant public-sector unions staged industrial action that disrupted hospitals, day-care centers and public transport, rejecting their demand for pay parity with private industry, which would have threatened Social Democratic anti-inflationary policies.

The taming of the unions represented a watershed in domestic political life, in its low-key way probably comparable with the crushing of union militancy in Britain by Prime Minister Margaret Thatcher.

The industrial action had attracted widespread public hostility, and Mr. Carlsson's popularity, along with that of his equally pragmatic finance minister, Kjell-Olof Feldt, and the Social Democratic Party in general, has only benefited from this triumph over the unions.

The non-socialist opposition parties are left floundering, already badly hit earlier in the year by the resignation of two leaders.

Thorbjörn Fälldin, a former prime minister, quit the chairmanship of the agrarian-based Center Party and was replaced by Karin Söder, a puritanical woman unrepresentative of the traditional stereotype of liberated Swedish womanhood. Her main claims to



Kjell-Olof Feldt.

fame are the shutting down on Saturdays of the state liquor stores and a crackdown on Stockholm's notorious sex clubs, both during her tenure as minister for social affairs in Mr. Fälldin's second administration from 1979-1982.

Ulf Adelsohn resigned the leadership of the conservative Moderate Party. At the age of 44, he said it was taking too much of his time. He was replaced by the party's defense spokesman, Carl Bildt, who is 37.

In the highly improbable event of a government after the next elections in 1988, the most likely candidates for the prime ministership is now Liberal leader Bengt Westerberg, 43, who was appointed in 1983.

As the country sought to come to terms with the assassination of Palme, the nuclear disaster at Chernobyl in the Soviet Ukraine deposited heavy fallout along the east coast and over Lapland, reawakening controversy over Sweden's own nuclear power program.

The most likely effect will be for the government to bring forward the deadline already agreed on for a shutdown from 2010 to 1996.

To lighten what has been a dark year for Sweden, there was a fitting posthumous celebration of Palme's efforts on behalf of world peace, the European Security Conference in Stockholm, which concluded with the first East-West arms agreement since SALT-2 in 1979.

There was a brief blaze of publicity, then the delegates left. At a stroke, Stockholm became less international.

The year's one indelible image was that of Palme's cortege winding through central Stockholm to the beating of muffled drums, the red flags of the Swedish labor movement bright against a darkening winter sky.

Now as Sweden awaits the onslaught of another winter, the country seems to be visibly shrinking back into itself, the liberal hopes and aspirations it held for the world blighted by violence, a nation that believed in fair play robbed of its innocence by a shot in the back.

Neutrality Hones Exports Edge

Continued from page 7

trade surplus for the whole year, the apparent boon must be seen against the background of sharply lower oil prices and years of trade deficit through 1982 during which Sweden accumulated a considerable foreign debt.

Manufactured goods accounted for 47 percent of exports, or 63.2 billion kronor, in the first half. Motor vehicles, essentially the combined export output of automakers Volvo and Saab-Scania, account for between 12 percent and 15 percent of exports, and their share is growing, according to Mr. Israelsson.

Anders Hedberg, executive vice president of the Gothenburg-based Elof Hansson trading group, cautioned against sticking the glamorous high-tech label on too much of Sweden's foreign trade.

"If you look at the statistics, you will find that the main proportion of Swedish export is still in areas that cannot be considered that very high technology," Mr. Hedberg remarked, "I would not say that, for instance, a car today is a very high technology item. We are of the opinion that if the Swedish standard of living will be retained, we will continue to export paper, pulp and [forest industry] machines."

Paper and pulp trading comprises a high proportion of Elof Hansson's annual turnover of 5.7 billion kronor, mostly on transactions outside of Sweden. Against the trend of many Swedish companies to concentrate their direct export marketing efforts on the major industrial nations, Elof Hansson and its competitor

trading companies — mostly in Gothenburg — concentrate on the niche of serving distant, small or odd markets as import/export middlemen.

"Elof Hansson has a deep knowledge of sales to countries normally outside the main markets of the producer, markets with so small sales they are of little or no strategic value," Mr. Hedberg said. "However, for Elof Hansson they are considered main markets and are penetrated on a regular basis."

Although few Swedish traders admit it, Sweden's neutrality is an important marketing tool, especially in the Third World where customers, for political reasons, want to avoid direct economic ties with one or the other global power bloc. At the same time, Swedish-based international businesses have not become totally devoid of national identity.

"Sweden has a large number of multinational corporations which carry the national flag, in that they make it clear where they come from," remarked Carl Johan Aberg, undersecretary of state for foreign trade.

With the recent shuffle of the Swedish cabinet that replaced Foreign Trade Minister Mats Hellström with Immigration Minister Anita Gradin, (Mr. Hellström became agriculture minister) high-level professional administrators such as Mr. Aberg play an important role in maintaining continuity of Swedish trade policy.

Although the government is pleased with Sweden's high trade surplus, still reflecting some effects of the devaluation of the krona undertaken when the Social Democrats returned to power in 1982, a few years of high

surpluses are not seen as sufficient to restore long-term balance to the economy.

Moreover, even as international factors such as oil prices and foreign exchange fluctuations bring unexpected benefits to Sweden, there are unsettling developments in the nation's domestic economy.

"We are on the right path but we are not at the goal, because we have as a target to cut down our international debts," according to Mr. Aberg of the Foreign Trade Ministry. In an interview last month, Mr. Aberg said that the ongoing strikes in the public sector were a major threat to the nation's international competitiveness.

"If the public sector employers give in, we run the risk of getting back to the too-high wage costs that so badly affected the Swedish economy in the 1970s," he declared.

Despite worries in the press that the strikes this fall would tarnish Sweden's image as an orderly, strike-free nation, Mr. Aberg, who travels extensively in his post, said: "The Swedish image on distant markets is high tech, high quality. This is a bundle of characteristics that is not spoiled by the strikes as yet."

Beyond the strikes, Mr. Aberg is hopeful that the forthcoming round of trade talks under the General Agreement on Tariffs and Trade will restrain the world's major industrial powers from taking unilateral or bilateral actions in restraint of free trade.

JURIS KAZA, a regular contributor to the International Herald Tribune, is a financial journalist based in Stockholm.



Volvo trucks ready for shipment at the Gothenburg assembly plant.

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1944 Safety cage	1971 "Fasten safety belts" warning light
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1956 Windscreen washers	1972 Child proof door locks
1956 Safety steering column with shear coupling	1973 Headlight wiper/washers
1957 Front 2-point safety belt anchorages	1973 Side impact members in doors
1958 Rear safety belt anchorages	1973 Crumple zone in steering wheel
1959 Front 3-point safety belts fitted	1974 Shock-absorbing bumpers
1960 Padded instrument panel	1974 Multi stage impact-absorbing steering column
1965 Brake servo and rear pressure limiting valve	1974 Fuel-tank isolated and protected from rear impact
1966 Rear window defroster	1974 Bulb integrity sensors
1966 Triangle split braking system	1974 Audio-visual belt reminder
1966 Anti burst door locks	1975 Stepped-bore brake master cylinder
1966 Roll-over bar in roof	1975 Day running lights
1966 Impact-absorbing body sections front and rear	1975 Anti corrosion brake pipes of special alloy
1966 Multi-adjustable safety seat	1979 Wide angle rear view mirror, eliminating "dead zone"
1966 Impact absorbing steering column	1982 Anti-submerging guards in seats
1967 Seat anchorage of safety design	1982 Fuel tank forward of rear axle
1967 Rear safety belts/fitted	1984 Non-locking brakes (ABS)
1968 Head restraints front	1985 Electronic traction control (ETC)
1968 Heated rear screen	1986 Safety belt pre-tensioner

VOLVO
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Facts and figures differ from one market to another and from one model to another. The specifications of the Volvo 760 may vary from market to market. The Volvo PV444, introduced in 1944, was the first car to be made at the Volvo factories, Volvo-Car Corporation, S-405 08 Göteborg, Sweden.



Workers go through radiation control checks at the Forsmark nuclear plant.

The Deadly Wind of Chernobyl

By Chris Mosey

STOCKHOLM — If you feed the carcasses of a radioactive reindeer to mink, will you then produce radioactive fur coats?

The answer is no but what fur producers in Sweden are worried about is that, despite all scientific evidence to the contrary, potential customers who hear that Swedish mink have been fed reindeer meat declared unfit for human consumption because of high amounts of radiation, will switch to furs from other countries for fear of glowing in the dark.

The dilemma facing the fur industry is just the latest in a long string of consequences stretching back to the morning of April 28 this year when alarm bells rang at the Forsmark nuclear power station 160 kilometers (99 miles) north of Stockholm. Radiation four times normal background levels was found on the soles of the shoes of a worker leaving a controlled area near Reactor No. 1.

Similar checks on workers leaving the other two reactors revealed similar levels and the decision was made to evacuate the plant.

As the evacuation got under way, scientists checked all three reactors for leaks. Nothing was found.

Then reports of increased radiation began coming in from other parts of Sweden and from Denmark and Finland.

Meteorologists checked wind patterns and said all the evidence pointed to a leak from a nuclear power plant in the Soviet Union.

As is well known now, it was far more than a leak. The cumbersome Soviet bureaucratic ma-

chine, prodded by its new master, finally admitted the truth later that night.

A meltdown had occurred in the fourth reactor at the Chernobyl nuclear plant in the Ukraine two days before.

Because of the vagaries of wind and weather, Sweden bore the brunt of the fallout reaching the West from this, the worst nuclear disaster in history.

The consequences — at their most bizarre concerning fur coats — are still being felt.

As a direct result of Chernobyl, the Radiation Protection Institute in Stockholm estimates that an extra 200 deaths from cancer will occur in the next 50 years in areas of Sweden worst hit.

These include the east coast town of Gävle, the city of Sundsvall further up the coast and Lappland, where most of the reindeer killed in the autumn slaughter were found to contain unacceptably high levels of the radioactive substance Cesium 137. The carcasses were condemned as unfit for human consumption.

It was decided to feed them to mink instead, though whether the mink producers will finally accept the meat remains at present uncertain.

Either way the Swedish government will be left with a bill for millions of kronor in compensation promised to both the Lapp reindeer herders and to farmers, forced to harvest radioactive grass for burial on communal tips, to pour away thousands of gallons of unfit milk and to keep cows indoors until radiation levels had fallen.

American tourists stayed away — though not in the numbers originally feared — and it is difficult to say how much they were influenced by the fallout from Chernobyl, how much by

the American air raid on Libya and the threat of retaliation against U.S. tourists in Europe by Colonel Moamer Gadhafi.

It was a particularly savage irony that Sweden, a country that has agonized so much about its own nuclear plants, should be subjected to such indignity as Chernobyl.

In 1980, Swedes voted in a national referendum, the fourth in the country's history, to retain its 12 nuclear reactors only until the year 2010.

Now the government is studying a proposal that this deadline be advanced to 1996.

There is also increased pressure both from within Sweden and from Denmark for the still earlier shutdown of the Barsebäck nuclear power plant, situated in an area of high population in the south of Sweden, just 20 kilometers (12.3 miles) across the sound from Copenhagen.

The People's Movement Against Nuclear Power, formed for the referendum, was on the verge of dissolution until the Chernobyl disaster.

It gained momentum, as did the Swedish Greens. One public opinion poll showed them likely to be entitled to membership of parliament under Sweden's system of proportional representation if an election were to be held this year.

However, as it is, the country is not scheduled to go to the polls before 1988, and memories may have dimmed by then. Already there is evidence that, notwithstanding Chernobyl, the anti-nuclear movement wins fewer supporters than it did six years ago. A march on Barsebäck this summer attracted only a few thousand people.

Soviet Submarine Intrusions Have Buoyed Military Budget

By Bengt Ljung

STOCKHOLM — When a Soviet submarine armed with nuclear weapons ran aground close to a Swedish naval base Oct. 27, 1981, Sweden got a shock that has not yet eased.

The submarine crew tried to clear the underwater rock, but the next morning a fisherman discovered the vessel. He alerted the Swedish Navy, which went into action — 14 hours after the submarine became stranded in a restricted military area.

The military was embarrassed, and neutral Sweden lost its innocence. Swedes awoke to the realization that their country no longer was a quiet corner of the world.

Recurring sightings and chases by the navy of suspected submarines over the past five years have colored Sweden's defense debate and demonstrated its increased strategic importance.

"It was definitely a turning point," said Jan Wogel, a top official with the Swedish Peace and Arbitration Society, an independent disarmament lobby. "Because of the submarine, the defense bill of 1987 will be a decision to increase armaments."

goal in itself or a first target to unlock the German front.

An attack against Sweden by any of the military alliances, the Warsaw Pact or the North Atlantic Treaty Organization, would probably be a lightning strike, the defense committee says in its 1984 report. The alliances would be more likely to use this tactic in order to avoid escalation to a nuclear war by presenting the opponent with a fait accompli.

The superpowers are now better able to administer a surprise blow because of their enhanced troop mobility. But General Gustafsson said Sweden only needs a couple of days to mobilize essential military units.

"Even if war starts by a surprise invasion and without preparations, the attacker risks a

Modern weaponry is expensive, and Sweden produces most of its own. But some experts doubt that Sweden can continue to afford developing technically sophisticated weapons.

"We'll have difficulties keeping up in the long run," said Hans-Henrik Rönnow, military expert at the Swedish Institute of International Affairs, a government-funded think tank.

"Smaller states, like Sweden, have to jump of the wagon earlier."

But the Conservative leader, Mr. Bildt, said careful estimates show that a modern military, including a state-of-the-art jet fighter, is affordable.

Critics say the dependence on Western technology casts a shadow over Sweden's professed nonalignment. Out of a defense budget of 25 billion kronor (\$3.3 billion), Sweden spent 2 billion kronor on arms procurement and research and development in fiscal year 1985-1986. About 30 percent of the arms were imported, but Mr. Bildt said Sweden produces more of its own weapons than any other neutral country and is therefore less dependent.

Björn Hagelin, a researcher at Uppsala University and the author of several books, said that "a brotherhood of common interest" among politicians, the arms industry and the military is arming Sweden unwittingly by advocating a bloated defense fit for a major power.

Mr. Wogel said the "brotherhood" has an "internal sluggishness" that keeps the current defense structure from changing. Instead of adapting strategy to the threats, the politicians and the military make the threats fit the defense they want, he said.

In the 1970s, Mr. Wogel said, during the debate over whether to produce a new Swedish jet fighter to succeed the Viggen, arguments over saving jobs and developing technical competence at the manufacturer Saab-Scania obscured military needs. The scales tipped for a Swedish fighter, the Gripen, which will be ready in 1992.

Although few experts believe Sweden would yield to pressure, some speculate that the submarine intrusions could be part of a plan to influence Swedish defense policy. Mr. Rönnow of the Institute of International Affairs said the Soviet Union could have a long-term goal of weakening Sweden's belief in neutrality by a show of force.

NATO, on the other hand, has the most to gain from a stronger Swedish defense, since the Murmansk base overshadows the region and NATO-member Norway refuses to allow foreign troops to be stationed on its territory. Experts agree that if NATO submarines, pretending to be Soviet, have played cat and mouse in the Swedish archipelago, the stakes have been high. A NATO submarine caught near Sweden would mean a terrible loss of face while a successful imposture could make Sweden spend more on defense.

Suddenly, people realized that Sweden was no longer a quiet corner of the world.

time lapse between the first strike and the second echelon, when we can overpower the first units," he said.

General Gustafsson said he needs every one of the 50,000 young men who go through compulsory military training each year.

While military advocates favor a traditional defense emphasizing heavy equipment and large forces, critics want to restructure and scale down the military. The Peace and Arbitration Society would prefer a smaller, cheaper "shell defense" of light high-technology weapons coupled with a stronger push for international disarmament.

"Our main criticism is that the defense is poorly adapted to the actual threats," Mr. Wogel said. "The military and the politicians are still envisioning the old improbable threats from World War II."

He considers the showpiece of the nation's military, the Swedish-made jet fighter Viggen, superfluous, while General Gustafsson proudly compares it with the best of fighters.

"Our air force is the same size as France's, but we cover a large air space between the military alliances," General Gustafsson said. "We've chosen neutrality, and have to appear capable of keeping the air space clear."

BENGT LJUNG is a Stockholm-based political journalist, formerly with the Associated Press.

Tourism Industry Is Reeling From Blows to Europe's 'Safe' Country

By Delice Gan

STOCKHOLM — American tourism to Sweden dropped alarmingly this summer as a result of general fears of increased terrorism in Europe and, more specifically, the Chernobyl nuclear disaster, which deposited heavy fallout along the Swedish east coast.

The Swedish Tourist Board said the number of bednights taken by Americans during May-September amounted to only 256,000, a decline of 147,000 or 37 percent from the same period last year.

Agne Florin, a tourist board official, described the fall as "a bitter disappointment." Sweden had expected an all-time tourist high of around 550,000 bednights for the whole year following a promotional trip to New York headed by Björn Borg, Sweden's international tennis star. This compares with a total of 500,000 for 1985.

Inquiries about holidays in Sweden were 50 percent up after the Borg visit, and everything pointed to the fact that the tourist board target would be exceeded.

Then after Chernobyl actual bookings plummeted, with a 25-percent cancellation rate, and Tourist Board representatives

abroad were recalled to Stockholm for talks on how to repair the damage done by the Soviet disaster.

"If we can just recover in 1987, we will be thankful," said Miss Florin. "There is a limit to what we can do. We can only explain that all the fallout scare stories were exaggerated and hope people would use their common sense."

Others in the tourist trade feel that only by 1988, barring any negative events, is a pattern of normal growth of between 3 percent to 5 percent expected to return.

"We lost out on 1986," said Dan Stedenfeldt, Sheraton Ho-

tel's marketing director for Scandinavia. "We will probably reach the 1985 level next year. We will not reach what we anticipated for 1987."

In 1985, the industry was buoyant with optimism, with a 2-percent growth in bednights among foreign visitors, prompted by a strong U.S. dollar. And following the terrorist attacks in Vienna and Rome in December 1985, it started to prepare for an influx of tourists to "safe" Sweden in the peak months of May to August.

However, the idea of Sweden as a safe destination was already being set back in February when Prime Minister Olof Palme was

assassinated in central Stockholm.

This year, hotels and tour operators were able to cut their losses by offering more summer specials to Nordic and European visitors. SAS, the Scandinavian airline system, for example, offered an 80-percent discount on its normal fares to passengers traveling within the region.


Efforts were also made to increase domestic tourism. This paid off with growth of more than 6 percent in domestic travel, and helped put the industry in the black.

Nonetheless, the loss of a sizable chunk of the overseas market, notably the big-spending Americans, put a dent in profits. Some Stockholm hotels, which normally attract tour groups, have lost 5 million kronor

(\$712,000) to 6 million kronor in turnover.

The decline in tourists also exposed some of the soft spots in Sweden's young industry, particularly its lack of aggressive marketing abroad. Another problem is that marketing has been mainly subsumed under a Scandinavian identity. Much of it has been done in conjunction with SAS and at times with the Danish and Norwegian tourist boards. (Denmark has had a head start since it has been on the tourist map for years.)

The fall in tourists also underscored the need for concerted action among Swedish groups. As a result, a joint marketing body, planned by the tourist board, the Swedish Hotels and Restaurants Association and credit card com-



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MONDAY, DECEMBER 1, 1986

EUROBONDS

Bankers Alarmed by Rush To Do Business at Any Cost

By CARL GEWIRTZ
International Herald Tribune

PARIS — Prudence has never been the Euro-market's strong suit. From the market's inception almost three decades ago, government regulators have wrung their hands in public worrying about it. Now, bankers themselves publicly express alarm — about the pace of financial deregulation that is blurring the once-clear distinctions between national business and between institutions jockeying for a major role in the global market.

Distribution "has been replaced by positioning, or speculation."

HE SAID that more and more normal business was being replaced by outright speculation: "Even relatively small firms today do not shy away from taking positions which go up to \$1 billion."

Mr. Rudloff's comments highlight the kind of talk increasingly heard these days from bankers, economists and central bankers, all of whom express the need for urgent re-regulation of financial markets.

GATT Warns on Growth

Cites a Spread Of Protectionism

Compiled by Our Staff From Dispatches
GENEVA — Spreading protectionism will slow world economic growth and job creation, according to a report to be published Monday by the 92-nation General Agreement on Tariffs and Trade.

Nevertheless, world trade will expand by 4 percent this year from 3 percent in 1985, the group said.

In September, GATT forecast an expansion in trade of only 3.5 percent in 1986. The higher forecast is because of a sharp recovery in fuel exports, according to the report.

The report expressed concern that subsidies established in areas such as agriculture and textiles were spreading to other sectors.

"Recent increases in protection are disturbing," the study noted.

"Even without open trade warfare, a continuation of current trends toward managed trade and market sharing is certain to act as a major restraint on economic growth and job creation throughout the world economy," GATT said.

Trade volume has not picked up as expected, the report said. The effects on industrial countries' economic activity from changes in exchange rates, lower interest rates and cheaper oil were weaker than envisaged.

The report said the only buoyant area in 1985-86 had been merchandise goods. Among the most successful, automotive and electronic products accounted for 9 and 7 percent, respectively, of world exports in 1985.

Developing countries were hurt most by falling fuel and commodity prices, the report said. It noted that the Third World's share in the value of world trade has fallen steadily for the past five years.

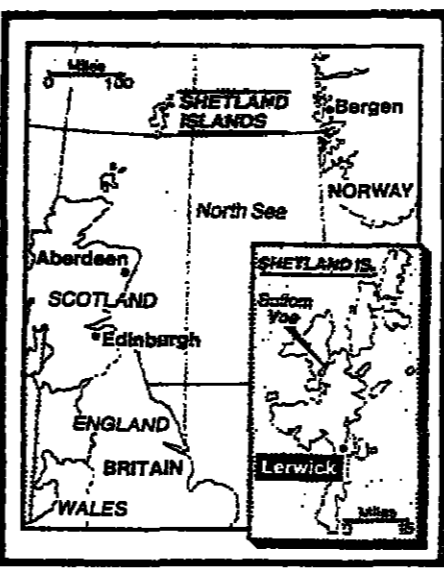
Third World income from exports of manufactured goods is likely to top earnings from fuels in 1986, the study said.

Data from the first 10 months of this year indicates that West Germany will replace the United States as the world's largest exporter in dollar terms, the report said.

But this mainly reflects the fall in the dollar's value, and the United States will remain the biggest trading nation, GATT said.

Shetlands Return to Tradition As Oil Revenue Ebbs Away, Knitting Provides Income

By Sandra Maler



LERWICK, Shetland Islands — The rugged Shetlands, swept into the 20th century by the North Sea oil boom, are going back to their traditional knitting, fishing and crofting as the tide of oil revenue ebbs away.

But these remote islands, off Scotland's north-eastern coast, are slightly updating their ancient ways of smallholding and wool carding by which previous generations survived the harsh conditions of life in the middle of the North Sea.

Income from Western Europe's largest oil terminal at Sullom Voe, just north of the main Shetlands town of Lerwick, has financed the building of the island's only wool spinning mill, and renovated Lerwick's fishing port.

Sullom Voe, an impressive, futuristic oil city that seems to belong more to science fiction than to the desolate landscape, still provides 80 percent of the Shetlands' annual tax revenue of £66 million (£92 million), which for a population of 23,500 is by far Britain's highest per capita.

The money, however, has not spoiled the islands, which retain their character. The hardy Shetlanders still live in grey granite cottages with black slate roofs. A feeling of isolation lingers on the barren islands, where trees cannot grow because there is too much wind and where often the only life in sight are birds and sheep.

Hotel prices of £70 a night, similar to those in London, have not affected the Shetlanders. They philosophically reflect, now that oil prices have crashed, that the oil was never really part of their islands.

Wool, not oil, provides their roots. They still insist on knitting by hand.

Long before the Shetlands acquired their value as a convenient port of call between the mainland and offshore fields when Britain discovered oil in the North Sea in the late 1960s, the islands were famous for their high-quality, springy wool and intricate knitting patterns. Shetlanders kept sheep, and the women knitted in their cottages, while sitting by the fire or walking to and from the post hill. Nothing much has changed. Women still knit at home with wool from their own sheep.

"The ladies knit the garments in their own homes and then they bring them to us, let us see them, we check them and if we like them we buy them," Greta Munro, chief buyer for a wool shop in Lerwick, said.

"They mostly knit their own designs. Sweaters are hand-knitted, not mass-produced," she said. "One sweater would take more than a week to knit."

Her shop buys from at least 300 cottages across more than 100 islands that make up the Shetlands. "There's one factory in the Shetlands, but 99 percent of what we sell is cottage industry," she said.

The buyer said the major change in the industry was the new mill, which now allowed Shetlanders to spin their own wool instead of sending it to mainland Scotland to be spun.

Peter Jamieson, in charge of the mill in the village of Sandness, said it was built three years ago by the local council with money directly levied from Sullom Voe's profits.

He said the mill exported yarn and garments to Japan, Italy, the United States and Scandinavia. He said many women who also did farm work had small knitting machines.

Renfe Refinancing \$315 Million

By Carl Gewirtz

INTERNATIONAL HERALD TRIBUNE
PARIS — Spain's national railway, Renfe, launched last week what promises to be the year's most controversial operation in the international credit market.

It is seeking to refinance \$315 million of more expensive credit lines with a six-year facility on which it will pay underwriters an annual fee of 2 1/2 basis points, or 1/25 percent, for the first three years and 3 basis points thereafter.

These are the lowest fees yet seen, the first to break the barrier of 3.125 basis points, or 1/32 percent, the first to now has been regarded as an impenetrable wall.

Manufacturers Hanover Trust won the mandate to organize the facility after months of intense competitive bidding. Loan officers at three banks that lost that bidding contest contend that the proposed terms are too low and questionable.

INTERNATIONAL CREDIT
tion whether Manny Hanny will find five other banks to underwrite an initial \$30 million each.

But officials at Manufacturers Hanover are confident, noting that there was a similar issue a year ago when the bank brought Denmark to the market at the then unheard-of cost of a 5-basis-point annual fee.

For domestic tax reasons, Renfe will draw the full amount for one month and then repay it. Within three months, it will cut the underwritten facility by half as it begins issuing Euro-commercial paper. The securities, carrying the guarantee of Spain, are expected to be marketed at a cost of 4 to 7 points below the London interbank bid rate — the level where Spanish Euro-CP currently trades.

Although the underwritten back-up facility will then total only \$157.5 million, Renfe aims to issue up to \$315 million in commercial paper.

The interest charge to draw on the facility is set at Libid plus a utilization fee of 1/4 percent, which See LOANS, Page 13

Purchasers Say U.S. Economy Still Sluggish

The Associated Press

NEW YORK — The U.S. economy continued its recent pattern of sluggish growth in November, with production and new orders again showing modest increases, corporate purchasing managers said in a survey released Sunday.

But the managers' trade group, the National Association of Purchasing Management, said that more of its members also reported lower employment levels than in any month since January 1983.

More buying agents also reported paying higher prices in November, the third straight month that the percentage increased.

"In November, the economy continued on what has been a moderate but stable path of expansion," Robert J. Bretz, chairman of the association's business survey committee, said in a statement.

"The advance of new orders suggests a healthy level of production in January, after the traditional seasonal drop that can be expected in December," said Mr. Bretz, who is also director of materials management for Pitney Bowes Inc., a maker of mailing and facsimile equipment.

The association said its composite index of economic activity slipped to 51.3 percent in November from 51.9 percent in October.

A reading above 50 percent generally signals that the economy is expanding, the association said. November was the fourth consecutive month that the index has been over 50 percent.

Each month the group surveys the officials in charge of purchasing materials and products at 250 industrial concerns.

In November, 28 percent of those surveyed reported an increase in new orders, while 18 percent said orders declined and 54 percent reported no change.

Twenty-two percent also reported higher production levels and 17 percent said output fell.

Employment showed a significant decline, with 32 percent of the buying agents reporting lower employment. Nine percent said their companies added jobs and 59 percent said there was no change.

The percentage of companies with lower employment was the highest since 1980, when it reached 36 percent.

As for inflation, 17 percent of the agents reported paying higher prices in November, while 5 percent said prices fell and 78 percent reported no change.

Other recent data from the federal government also indicated the economy continues to expand sluggishly.

Tuesday, the Commerce Department said that new orders for durable goods, items expected to last three years or more, tumbled 6 percent in October, their steepest drop since April 1984.

Brunei Charges 5th Man With Fraud on Bank

Reuters

KUALA LUMPUR, Malaysia — A fifth man has been charged with fraud and conspiracy over loans by National Bank of Brunei Bhd totaling 1.3 billion Brunei dollars (about \$594 million), the official television Brunei said on Sunday.

Chiew Sung Ching, 43, a Singaporean, one of the bank's authorized signatories, was charged Saturday with falsifying accounts and conspiring with the bank's chairman, Khoo Ban Hock, to provide excessive loans to companies related to the Khoo family without guarantee.

A Brunei court ordered Mr. Chiew to post bail of 10 million dollars, the television said.

The four other defendants are Mr. Khoo, who is the son of the Singapore-based hotel and real estate magnate Tan Sri Khoo Teck Poo; the bank's executive director, Chen Ping Fang; and Andrew Pearnie and Bernard Soo, auditors.

Ministers Set New Budget, But Old Ills Remain

By Peter Maass

INTERNATIONAL HERALD TRIBUNE
BRUSSELS — European Community ministers have agreed on a new budget that fails to tackle old problems.

That is the conclusion of most experts after budget ministers set a 1987 spending plan of 36.2 billion European currency units (\$38.01 billion). The budget, agreed to after 20 hours of talks last week, will probably exceed revenues by several billion ECU.

What dismay experts even more is that the budget does not include any measures that start reforming the Common Agricultural Policy, which in 1987 will cost about 24 billion ECU, or about two-thirds of community outlay.

The ministers rejected a call by the European Parliament for a special 2.5-billion-ECU fund to dispose of the community's bulging farm stocks. The surpluses reportedly consist of about 1.5 million metric tons (1.6 million short tons) of butter, 590,000 tons of beef and 16.4 million tons of grain.

In a hollow gesture of support for the Parliament's surplus-disposal plan, the ministers created a new spending category in the budget for "measures to secure reductions in agricultural stocks." However, no money was allocated for such measures.

The budget, which represents a 3-percent increase over the 1986 spending plan, is to go back for a final vote by the Parliament. The Strasbourg-based institution has limited powers over the final spending plan, but it can ask for certain changes.

A supporter of a change in CAP, the Parliament is likely to be disappointed with several elements in the ministers' budget plan. For example, the council in Brussels failed to give any clear indication of how an expected 1.3-billion-ECU deficit in 1986 outlays would be paid for.

That problem has evidently been put off until next year, and should exacerbate the problems ministers will face then. Experts expect next year's budget deficit, excluding the 1.3-billion-ECU deficit, to reach 3 billion ECU.

European TV Venture Ended Owing \$5 Million
The first pan-European public television station, launched with high hopes last year, has ended with at least \$5 million in unpaid bills.

Europa TV, a joint enterprise between public media authorities in the Netherlands, Italy, Ireland, Portugal and West Germany, was taken off the air Friday.

Its demise came a month after it received a \$1-million loan from the EC Commission. Officials in Brussels are not sure what happened to the money, and there is private talk of an investigation or court action to recover the funds.

The station, which used new technology to broadcast from Hilversum in the Netherlands in several languages for five hours a night, Strasbourg-based institution has limited powers over the final

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Alternative to Commercial Television

But it never had enough advertising to cover costs.

Carlo Ripa di Meana, the EC commissioner in charge of culture, denounced the "political myopia and the absence of courage of public television stations." He said they refused to offer adequate funds to save Europa TV.

Ministers Seek to Improve Measures on Pollution
After recent chemical leakages into the Rhine, community environment ministers have agreed to improve the EC's pollution alarm and information system.

The ministers meeting in Brussels last week also decided to ask the commission to review community preparations for environmental disasters. In addition, the commission will look into boosting environmental cooperation with non-EC countries.

Safety Group Issues Call For Better Road Lighting

As part of the EC's Road Safety Year, the European Lighting Council called last week for a community campaign to improve lighting on highways. It held a conference in Brussels in which it contended that up to 40 percent of car crashes at night could be prevented by better road lighting.

"Europe at night may sound like an elegant prospect, but visually it is no safe place to drive a motor vehicle or take an evening stroll," said Professor J.B. De Boer, the conference's keynote speaker.

Last Week's Markets

Table with columns for Stock Indexes, Money Rates, and other market data. Includes DJ Index, DAX, Nikkei, etc.

Currency Rates

Table with columns for Currencies, Rates, and other financial data. Includes US Dollar, Euro, etc.

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PARIS TO BEIJING MAKE YOUR COMMUNICATIONS TAKE OFF WITH PATRICK BAUDRY. The 27 February 1987 some 20 light aircraft are going to take off for the year's major air race Paris-Beijing-Paris.

International Bond Prices

(Continued)

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

SWEDEN

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

UNITED STATES AMERICA

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

Norwegian Kroner

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

Euro-Currency Units

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

NASDAQ National List

OTC consolidated trading for week ended Friday, Nov. 28

Sales In	High	Low	Last	Chg	Net
AA Imo	1.00	0.95	0.98	+0.03	
AA Imo	1.00	0.95	0.98	+0.03	
AA Imo	1.00	0.95	0.98	+0.03	

Quantities

100s	High	Low	Last	Chg	Net
AA Imo	1.00	0.95	0.98	+0.03	
AA Imo	1.00	0.95	0.98	+0.03	
AA Imo	1.00	0.95	0.98	+0.03	


Japanese Yen

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

Zero-Coupons

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

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French Francs

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

Convertible Bonds

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

Canadian Dollars

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

FINTE

Société Anonyme

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NOTICE TO SHAREHOLDERS

Payment of Interim Dividend

A net interim dividend of U.S. \$0.60 per share will be paid for the current fiscal year.

Such dividend will be payable at the offices of the paying agents listed below, subject to the laws and regulations applicable in each country, starting December 12th, 1986, against surrender of coupon no. 18.

Paying Agents

- in Luxembourg: Banque Internationale à Luxembourg S.A.
- in Italy: all the leading banks
- in Switzerland: Crédit Suisse
- in France: Lazard Frères & Cie.
- in the Federal Republic of Germany: Commerbank
- in Great Britain: S.G. Warburg & Co. and Lazard Brothers & Co.
- in the Netherlands: Amsterdam-Rotterdam Bank
- in Belgium: Banque Bruxelles Lambert.

The Principal Paying Agent: Banque Internationale à Luxembourg S.A. Société Anonyme

Euromarts At a Glance

Euromart Yields

U.S. 3 m	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr
3.25	3.50	3.75	4.00	4.25	4.50	4.75

Weekly Sales

U.S. \$	100s	1000s	10000s
100	100	1000	10000

Libor Rates

U.S. 3 m	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr
3.25	3.50	3.75	4.00	4.25	4.50	4.75

Convertible Bonds

Am	Security	%	Am	Security	%
Am	100 World Bank	100%	Am	100 World Bank	100%
Am	100 World Bank	100%	Am	100 World Bank	100%

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New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Bond Prices Are Stable in Light Trade For Holiday

By H.J. Maidenberg
New York Times Service
NEW YORK — Prices of Treasury securities ended basically unchanged last week in extremely light trading...

U.S. CREDIT MARKETS

The Fed reported that M-1 fell \$1 billion in the week ended Nov. 17, to \$712.3 billion. The previous week's figure was revised upward to \$713.3 billion...

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

Amsterdam stocks were nervous last week, despite an initially optimistic start that drew support from trends in New York.

On Monday, the general share index gained 2.9 points to 285.9, but slipped during the week to close Friday at 284.

Aegon, an insurance, came under pressure after FGH, a mortgage bank in which it has a 25-percent stake, announced losses of more than 100 million guilders (\$44.8 million).

In construction, Bredero, linked to an insider-trading scandal, continued to fall, closing at 86 guilders Friday, down 14 guilders from a week earlier.

The Federal Reserve released its weekly money-supply figures, and market participants who were on hand found the holiday-delayed data to be in line with forecasts.

The Fed reported that M-1 fell \$1 billion in the week ended Nov. 17, to \$712.3 billion. The previous week's figure was revised upward to \$713.3 billion...

It also means that we can expect the M-1 to bounce around without having any significant short-term impact on the credit market...

That the M-1 figures had no effect on the market was reflected in the relatively few trades that took place after the Fed's report was released at 4:30 P.M. on Friday...

Dealers were concerned on Friday about the high federal funds rate...

On Friday, the Fed moved indirectly to inject liquidity into the banking system by effecting \$2 billion of repurchase agreements for the central bank's clients...

Among the intermediate maturities, the new 6 1/2-percent notes of 1988 were offered late in the day at 100 4/32, to yield 6.18 percent...

The bellwether long gas, the 7 1/2-percent bond of 2116, was marked up 3/32, at 101 5/32, to yield 7.40 percent...

In the Chicago Treasury bond futures market, the spot December contract closed off 3/32, at 99 23/32.

Several Chicago traders said the sharp rise in the spot gold bullion prices, which climbed \$7.80 an ounce, to \$390.90, was the main bearish factor weighing on the bond futures.

London Shares made steady gains on the London Stock Exchange last week, although turnover remained re-

stricted ahead of the £5.6-billion (\$8-billion) British Gas issue.

The Financial Times industrial share index closed up 18 points on the week at 2,292.2. The volume of transactions fell from 138,497 to 134,684.

Sentiment was helped by a firm pound and by excellent interim figures from Britain's leading textile group, Courtaulds.

In banks, Barclays received an early boost on news that it was to pull out of South Africa.

Stores, foods and breweries returned to favor with the approach of Christmas. But oils were weak ahead of the Organization of Petroleum Exporting Countries meeting in early December.

Capital goods and energy and metalworking shares fared poorly, however, with KHD losing 12 and Preussag 3.50.

In banks, Deutsche Bank gained 34.50, Commerzbank 11.80 and Dresdner 16.10.

Hong Kong Spurred by an intricate corporate overhaul by local trading flag-ship Jardine Matheson, the Hang Seng Index leaped 144.77 during the week to close at an all-time high of 2,418.75.

The Hong Kong Index jumped 96.34 points to close at 2,538.81.

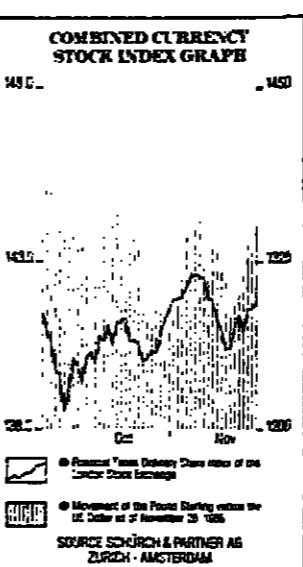
The week started well, spurred by buying by overseas institutional investors.

Rumors of good news from Jardine Matheson began on Monday and continued to fuel buying on Tuesday and Wednesday. After the market closed on Thursday, Jardine and Hongkong Land announced a restructuring that would create a \$5.5-billion Hong Kong dollar (\$706.5-million) investment firm.

The announcement triggered rampant buying Friday that pushed the Hang Seng index past 2,400.

Dealers said they expected the index to go even higher this week before a consolidation period sets in.

London Shares made steady gains on the London Stock Exchange last week, although turnover remained re-



Singapore

The Singapore stock market's performance for the week hinged on the scandal surrounding the National Bank of Brunei and demonstrations in Malaysia over the recent visit to Singapore of President Chaim Herzog of Israel.

Amid new uncertainty over relations between Singapore and Malaysia, investors were cautious. The market looked vulnerable to any fresh unfavorable news.

Trading volume fell by 15 percent to 81 million units, but the value of shares transacted improved by 14 percent to 203 million Singapore dollars.

The Straits Times industrial index recovered 2.33 points to end at 866.89.

Singapore Land Loan stock was the most active for the week with a turnover of 4.96 million. The share closed unchanged at 1 dollar. NOL was in second place with a turnover of 2.83 million units, followed by UOB with 2.66 million units.

Average daily turnover was 469 million shares, up from 414.97 million shares.

The heavy gains mostly came from speculators and individual investors taking an interest in domestic-demand issues such as housing and construction, brokers said.

Many institutional and corporate investors remained on the sidelines, but foreign investors who had been selling in the past few weeks became buyers this week, they said.

Leading shares were Daiwa House, Taisei Corp., Dai Nippon Print and Tokyo Electric Power.

index fell 0.31 point the previous week.

The Zurich market hit record highs last week in a spirited recovery from unsteady trading the previous week when sentiment was dampened by the Rhine chemical pollution incidents.

The Swiss Bank Corp. index gained 11 points to a record high of 677, and could reach 699 points by the end of the year, analysts said.

The trend is expected to continue upward this week, analysts said.

All chemicals, banks and insurance were gainers. In banks, Credit Suisse rose 70 points over the week to 3,800, while Zurich Insurance Co. bearer shares gained 200 to 8,475.

In chemicals, Ciba-Geigy bearer shares rose 180 to 3,510 and San-doz nominal was up 35 to 3,960.

Tokyo Shares rallied in Tokyo last week, with the 225-blue chip Nikkei Stock Average registering a hefty 593.44-yen gain from a week earlier to top 16,000 yen for the first time in two months.

The index, ahead by a moderate 99.08 yen the previous week, closed at 18,083.02, mirroring firmness on Wall Street.

The composite index of all common stocks advanced 60.87 points to finish at 1,490.90 on Friday. The

Milan Stocks closed 3.03 percent up on the previous Friday, shaking off two weeks of successive falls that had depressed stocks by a total of 10 percent.

The number of transactions fell, averaging 28 million shares daily, for 118 billion lire, compared with 50 million shares and 283 billion lire the week before.

The Milan stock exchange index edged upward to 1,642 from 1,591, and the Comit Index closed at 722.68, from 701.41.

Top performers were Fiat, up 5.88 percent after a period in the doldrums; Olivetti, which rose 4.04 percent, and Assicurazione Generali, up 4.68 percent on good trading figures.

Paris Shares on the Paris Bourse gained 2.5 percent last week, boosted by traditional end-of-November buying from institutional investors and by Wall Street's healthy tone.

Finance Minister Edouard Balladur also gave a flip to the market by announcing the lifting of all price controls by the end of the year and more flexible rules on trust funds.

Analysts said the market, which has put on 54 percent since the beginning of the year, remained healthy and would be in a good position for the Dec. 23 entry of Saint-Gobain, the state glass group whose shares went on sale to the private sector last Monday.

LOANS: Renfe of Spain Is Refinancing \$315 Million

(Continued from first finance page) in normal circumstances should be the equivalent of the London interbank offered rate, Libor. The 1/4-point utilization fee will be paid semiannually in arrears, meaning the Libid is paid currently but the utilization fee in six months' time.

However, lenders based in Britain, France, Belgium and Japan can benefit from tax agreements with Spain to boost the effective income from Renfe's drawings to about 80 basis points over Libor, Mammy Hanny officials say.

In addition, underwriters will have earned a front-end fee of 4 basis points on the full \$315 million whereas after one month only half that will be on their books, lifting the effective front-end fee to 8 basis points.

Mammy Hanny was indefinite about how many of the principal underwriters would be named as dealers for the CP. However, it and Shearson Lehman Bros. will be among those named to market the short-term paper.

Thailand launched what lead manager Morgan Guaranty Trust says is a new hybrid instrument aimed at combining the characteristics of a syndicated bank loan and a floating-rate Eurobond.

The proceeds of the \$300-million facility will be used to prepay more expensive outstanding debt, including a \$200-million credit arranged in 1982 on which it is paying a margin of 3/4 point over Libor.

Viewed as a syndicated bank loan, the financing provides the lowest charges yet seen for an Asian borrower with interest set at 1/4 point over three- or six-month Libor for the first two years and 1/4 point over Libor thereafter. Front-end fees total 45 basis points, providing an all-in cost of funds for Thailand of 27 1/4 basis points over Libor.

Thailand itself has paid less to issue floating-rate bonds, with interest set at 1/4 point over Libor and an all-in cost of around 20 basis points over the benchmark rate. But the price of the FRNs have fluctuated widely, trading in range from 20 to 45 basis points over Libor, depending in general on overall FRN market conditions and specifically, on the amount of Thai paper available at any one time.

The hybrid is expected to trade within a more stable range, designed to appeal to institutional investors taking positions of \$2 million or thereabouts rather than as paper to be traded. Since it is a loan rather than a security, investors could value the paper at its face value rather than its market value.

In effect, the structure looks like a standard credit issued in the form of transferable loan certificates. But Morgan says the transfer mechanism on the Thai transaction will be much less cumbersome than on T.L.C.s, enhancing the opportunity to trade the paper.

While the pricing is more akin to a floating-rate note, there are important distinctions. Thailand has up to one year to draw on the credit — a feature not possible in an FRN. If the funds are not drawn within three months, Thailand will pay a commitment fee of 1/4 percent. Another difference is that repayment on the loan will begin at the end of the sixth year and will be made in nine equal semiannual installments. FRNs are usually redeemed in full at final maturity.

The five lead managers get to keep 10 basis points of the fees to themselves. Banks joining the syndicate for underwriting \$20 million will be paid 10 basis points on their commitment and 25 basis points on the amount they actually take down.

The Bank of Greece will tap the market for a \$50-million, eight-year credit that, if it is oversubscribed at the lead manager level as early indications showed, could be increased significantly. Interest is to be set at 1/4 point over the interbank rate and front-end fees will total 1/4 percent.

Every three years, Rhone-Poulenc's coupon will rise by 1/4 point until it reaches a maximum 1 point over Libor. (Mexico, for example, is currently paying 137/16 point over Libor on its rescheduled debt.)

While the margin on the Rhone-Poulenc paper is appealingly big, the indefiniteness about when the paper will actually be called is a handicap. In most cases, banks need approval from their credit committees to undertake such a commitment, thereby slowing placement of the notes.

Another drawback is the issuer's right to postpone paying interest if that were deemed to imperil its financial condition. In that case, it would issue interest notes on which interest also would be paid, at 5 points over 12-month Libor. The company would be obliged to redeem these notes before it could resume paying a dividend on its stock.

Sandvik, Soviet Confirm Joint Venture on Tools Agence France-Presse MOSCOW — The Soviet Union and Sandvik AB, the Swedish hand-tools concern, are to set up a joint production unit in Breda, Sandvik's official and the Tass news agency confirmed here during the weekend.

It is the first joint production venture ever set up on Soviet territory.

Yoshiro Araki, chairman of the bankers' federation, has appealed for an early relaxation of taxes and less insistence by the Finance Ministry and the Bank of Japan that offshore money should not trickle into the domestic market.

A last-minute move by the Bank of Japan, slapping a 0.25-percent reserve rate on deposits that might leak, did nothing to bolster enthusiasm.

Offshore accounts will be exempt from withholding tax and otherwise free of reserve requirements and deposit insurance premiums.

All national and local taxes and stamp duty will, however, apply. Accounts will be limited to deposits from corporate nonresidents,

EBONDS: Bankers Alarmed

(Continued from first finance page) lead manager Societe Generale, by the fact that the interest rate is scheduled to rise to a level considered punitive in today's market.

The issuer can call the paper for redemption after three years.

Interest for the first three years will be set at 1/4 point, or 37 1/2 basis points, over the London interbank offered rate. (By comparison, Standard Chartered Bank is paying a margin of 15 basis points over Libor for its \$300-million perpetual floater.)

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But the price of the FRNs have fluctuated widely, trading in range from 20 to 45 basis points over Libor, depending in general on overall FRN market conditions and specifically, on the amount of Thai paper available at any one time.

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كوتنا من ليل

Chicago Exchange Options

Figures as of close of trading Friday.

Table of Chicago Exchange Options with columns for Call/Put, Strike Price, and Bid/Ask prices.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table of NASDAQ National Market with columns for Symbol, Bid, Ask, and Volume.

Table of Treasury Bonds with columns for Maturity, Bid, Ask, and Yield.

Mutual Funds

Figures as of close of trading Friday.

NEW YORK (AP)—

The following auto-

matic investments

are listed below.

Some of the funds

are not shown.

Others are shown

with their assets

under management.

Assets are in mil-

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Souren Melikian

IN THE IHT EVERY SATURDAY WITH AUTHORITY WRITING ON THE WORLD OF ART AND ART AUCTIONS

Treasury Bonds

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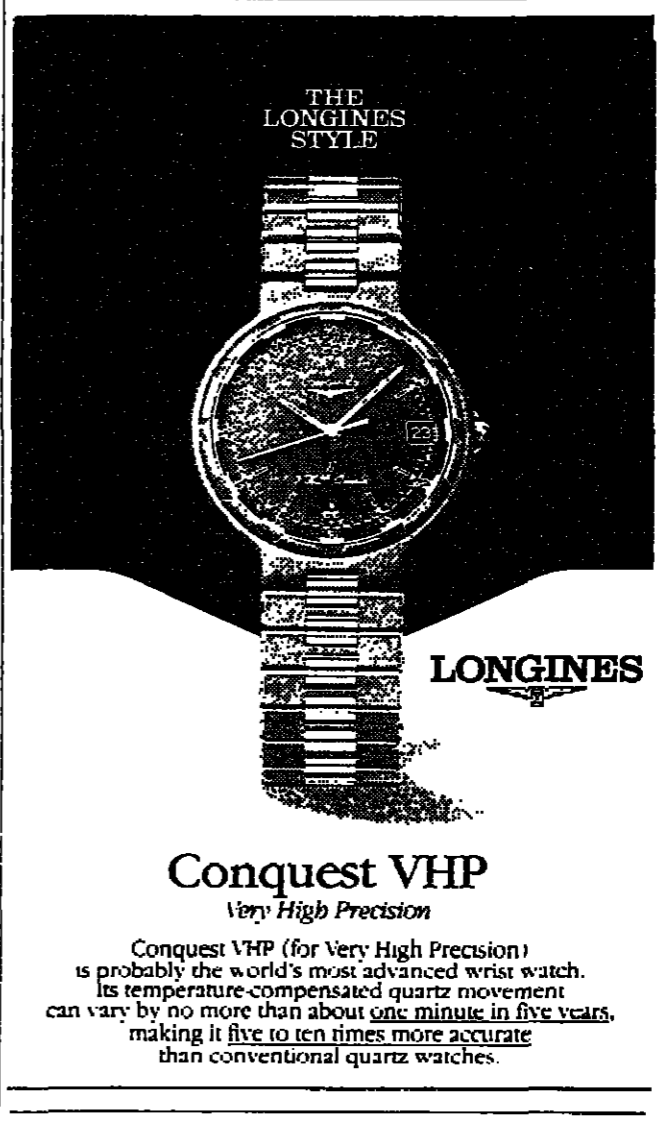
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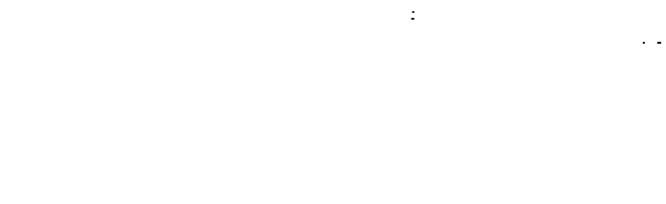
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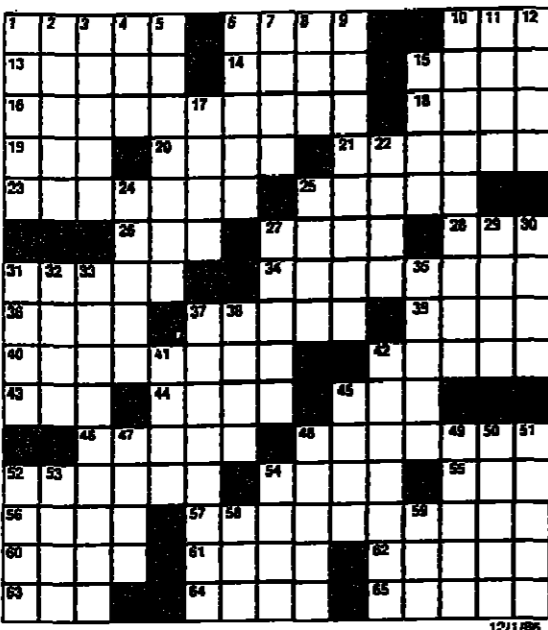
lions unless noted.



THE LONGINES STYLE. Conquest VHP Very High Precision. Conquest VHP (for Very High Precision) is probably the world's most advanced wrist watch.



SPORTS



ACROSS 1 Let up 6 Ship-shaped clocks 10 Comic Conway 13 Swap 14 Wreath on Calahad's helmet 15 Bustle 16 Medium in which John L. Baird pioneered 18 French islands 19 Compass pt. 20 She played Jeannie 21 Indian poles 23 Tested 25 Disgusted 26 Aurora's Greek counterpart 27 Tops 28 Tee's partner 31 Available 34 Almond-paste cookie 36 Poet's "never" 37 Butler 39 Part of A.D. 40 Poe's "The Heart" 42 Iron 43 Poetic form 44 Nonesuch 45 Metal source



Dumped by the Quebec defense on Saturday night, Craig Laughlin wore an expression reflecting the current fortunes of the Washington Capitals.

VANTAGE POINT/Thomas Boswell Capitals Coming Apart With a Vengeance

WASHINGTON—How do nice people get themselves into such rotten spots? Why do bad things happen to good Capitals? How can David Poile, Bryan Murray and Bobby Carpenter—who say about as civilized a general manager, coach and player as can be found in pro sports—get into a brawl that makes them all look awful? You want black eyes? We got black eyes at Capital Centre. Damaged reputations, spitting contests and controversy? They're all on display.

DENNIS THE MENACE



JUMBLE

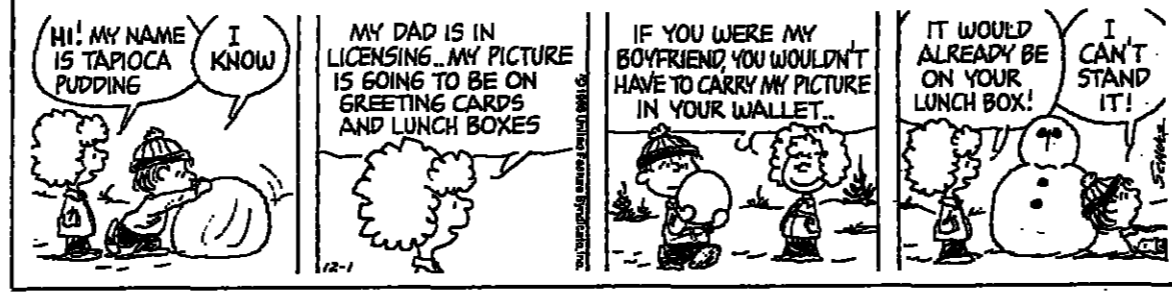
A word puzzle section titled 'JUMBLE' with instructions to unscramble four jumbles and a cartoon illustration of a man looking at a calendar.

WEATHER

Weather forecast table with columns for Europe, Middle East, Oceania, Asia, Africa, and Latin America, listing high and low temperatures for various cities.

MONDAY'S FORECAST - CHANNING: Slight, FRANKFURT: Foggy, Temp. 5-11; LONDON: Overcast, Temp. 4-11; MADRID: Cloudy, Temp. 11-18; NEW YORK: Partly Sunny, Temp. 45-51; PARIS: Partly Sunny, Temp. 45-51; ROME: Partly Sunny, Temp. 45-51; TOKYO: Partly Sunny, Temp. 45-51.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



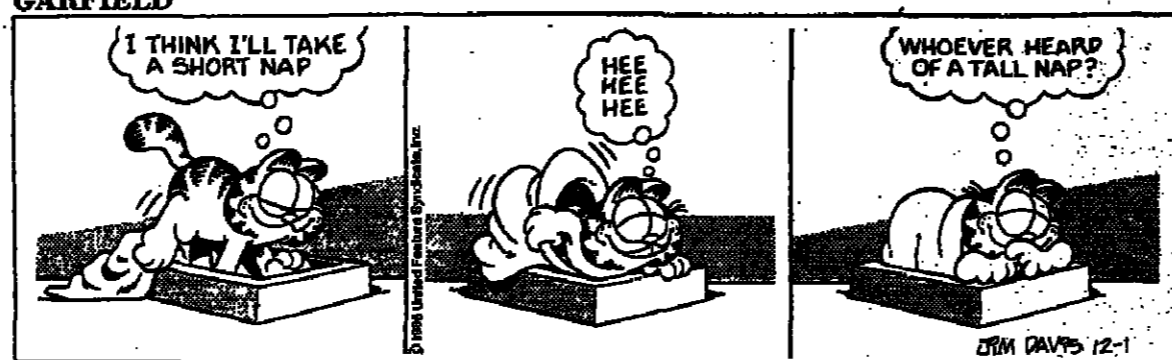
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REX MORGAN



GARFIELD



BOOKS

THE INVISIBLE BAR: The Woman Lawyer in America, 1638 to the Present

By Karen Berger Morello. 271 pages. \$19.95. Random House, 201 East 50th Street, New York, N. Y. 10022.

Reviewed by Carol E. Rinzler. IN 1873, upholding an Illinois decision that women could not be licensed to practice law in that state, the U.S. Supreme Court issued an opinion that is wryly enjoyed today by female law students.

POWER OF ATTORNEY: The Rise of the Giant Law Firms

By Mark Stevens. 187 pages. \$17.95. McGraw-Hill Book Co., 1221 Avenue of the Americas, New York, N. Y. 10020.

Reviewed by John G. Kester. LIKE manufacturing companies that went conglomerate in the 1960s, a few dozen law firms in the 1980s have started a binge of acquisitions, opening offices or merging with existing firms in city after city.

A crossword puzzle solution grid with words filled in, including PELT, VEND, MINGE, UTAH, ALAI, ANEAR, MAZE, LACS, TIGORS, PLYMOUTH, COLONY, BEE, MET, DIMMED, TIER, CGS, ORIEL, SANG, AHOE, WILLIAM, BRADFORD, STAT, POLE, RAISE, RAN, WAGE, TERROR, BAR, SRA, FOURTH, THURSDAY, WOULD, ORES, PAPA, AISLE, BEET, ADAM, CLEAN, ESPY, TOMS.

BRIDGE

A bridge puzzle section by Alan Truscott, including a hand diagram and a solution. The hand shows North with ♠KQJ87, ♥A85, ♦KQJ10, and ♣A985432, and South with ♠A, ♥KJ, ♦A98765432, and ♣K1098765432.

SPORTS

Auburn All Right, if Wrong, at Alabama

The Associated Press BIRMINGHAM, Alabama — Pat Dye, Auburn's coach, won't have to spend the next 364 days explaining what went wrong in part...



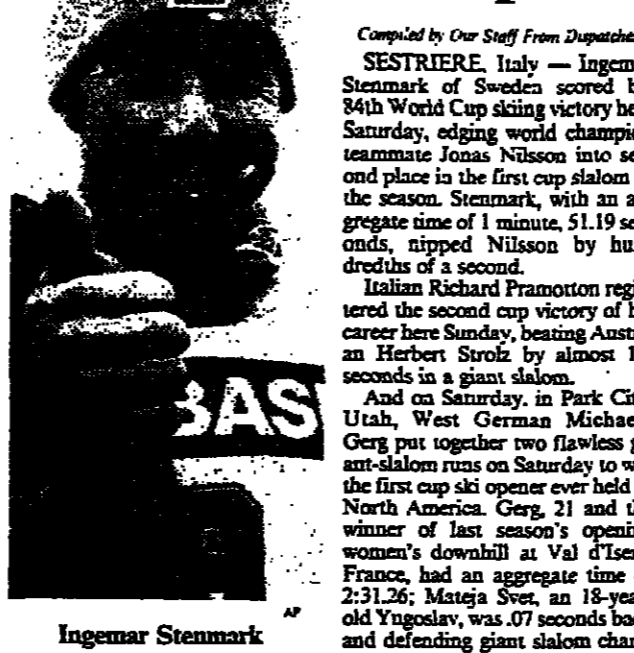
Georgia's Nathaniel Lewis beat Mark White of Auburn Tech for a fingertip scoring reception in Saturday's first half.

wide receiver, I want my wide receiver. Tillman, who had run the play in practice, tried to call a time-out but failed. Tillback Tim Jesse, going right, gave the ball to Tillman, going the other way, and Tillman crossed the goal line for the winning touchdown just as he was tackled.

Bears Beat Steelers, Win Title on Overtime Field Goal

The Associated Press CHICAGO — Kevin Butler, who missed on a field goal attempt at the end of regulation time, kicked a 42-yarder 3:55 into overtime Sunday as the Chicago Bears beat the Pittsburgh Steelers, 13-10.

Stenmark, Pramotton and Gerg Win As Cup Skiing Moves Into High Gear



Ingemar Stenmark

Compiled by Our Staff From Dispatches SESTRIERE, Italy — Ingemar Stenmark of Sweden scored his 84th World Cup skiing victory here Saturday, edging world champion teammate Jonas Nilsson into second place in the first cup slalom of the season.

SCOREBOARD

Basketball

Table containing U.S. College Results, National Basketball Association Standings, and Friday's Results. Includes columns for team names, scores, and game details.

NFL ROUNDOUP

and clinched their third straight Central Division title in the National Football Conference. In a game of mistakes and penalties by both sides, the Bears won a coin toss to begin the extra period but chose to kick off. After Pittsburgh punted, Mike Tomczak threw to Keith Orton for a 27-yard gain to the Steeler 24. Four plays later, Butler kicked the winning field goal.

Hockey

National Hockey League Standings

Table showing National Hockey League Standings, including columns for team names, wins, losses, points, and goals for/against.

World Cup Skiing

European Soccer

Table showing World Cup Skiing results and European Soccer standings, including columns for athlete names, scores, and team names.

U.S. College Results

Table containing U.S. College Results, National Basketball Association Standings, and Friday's Results. Includes columns for team names, scores, and game details.

National Basketball Association Standings

Table showing National Basketball Association Standings, including columns for team names, wins, losses, points, and goals for/against.

Football

Table showing Football results, including columns for team names, scores, and game details.

U.S. College Results

Table containing U.S. College Results, National Basketball Association Standings, and Friday's Results. Includes columns for team names, scores, and game details.

SPORTS BRIEFS

Yu Keeps WBA Junior Flyweight Title SEUL (AFP) — Yu Myung-Woo of South Korea successfully defended his World Boxing Association junior flyweight title Sunday by outpointing Mario de Marco of Argentina in a 15-round bout.

